



الشرق الأوسط

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NEWS SUMMARY

GENERAL

Kidnap priest returns home

Father Hugh Murphy, the Roman Catholic priest kidnapped by the Ulster Freedom Fighters, turned up in his own parish alive and well last night. He is thought to have been kidnapped in revenge for the abduction of RUC Constable William Turbitt.

The priest was dragged from his home by men who later phoned a local radio station and said they would return him "in the same condition as the RUC constable."

Sadat offers compromise

President Sadat of Egypt would agree to slight border modifications and the presence of Israeli garrisons in the West Bank after the conclusion of a peace treaty.

A protocol released last night of a meeting between President Sadat and Mr. Shimon Peres to Israeli opposition leader, says that the Egyptian leader recognises different security considerations for Sinai and the West Bank.

PM outlines election policy

The Prime Minister has called on the Labour Party to prepare for a General Election campaign on a programme of national harmony and economic prosperity.

After defining what he saw as a Labour Government's tasks for the 1980s, he told a rally in Brecon, Wales: "You can't build for the 1980s on the theories of the 1930s as Sir Keith Joseph and other Tories are proposing."

Peruvian arrest

General Leonidas Rodriguez, leader of Peru's Revolutionary Party, was arrested yesterday after voting for the proposed constituent assembly, adding weight to fears that the projected return to a democratically elected civilian government will prove abortive.

Belgian solution

The Belgian political crisis appeared to be near a solution yesterday after weekend talks between members of the four-party coalition. Mr. Leo Tindemans, who threatened to resign as Prime Minister, said that the Government had now agreed on measures to deal with economic problems.

World Cup results

World Cup (Argentina). Group A: Italy 1, Austria 0, Holland 2, West Germany 2. Group B: Poland 1, Peru 0.

Penny salary

The Rev. Tony Clements, director of a £100,000-a-year African village business, is to be paid a penny for his services.

Briefly...

£50,000 weekly premium bond prize won by bond IFK 721350.

The head of South Africa's Bureau of State Security has been refused a visa to visit the U.S.

Andy North, a 28-year-old Wimbledon-born professional, is the new U.S. Open Champion.

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Unions demand more jobs

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EEC takes tough line to protect its steel industry

BY ROY HODSON

Tough new measures have been agreed between the European Commission and member governments of the Nine to protect the European steel industry. They include punitive fines to be levied on low-priced imports, and the imposing of suspect steel cargoes at EEC ports of entry by customs officials.

The measures are being coupled with a new deal with the north Italian independent steelmakers—the Bresciani—in an attempt to save the EEC Davignon Plan.

Introduced by Viscount Eustache Davignon, European Industrial Commissioner, the plan includes price stability and controlled production but flaws have now appeared in the strategy.

There is evidence of European steel companies breaking the Davignon rules by undercutting recommended prices and increasing steel production beyond agreed limits.

The new arrangements proposed by the EEC and backed by the European Commission, the steelmakers involve fines of up to 25 per cent of the value of steel cargoes arriving at EEC ports which contravene the pricing rules.

Customs officials have also been instructed to refer offenders to Brussels.

Ships may be held for up to five days at ports of entry, while Brussels considers the validity of steel cargoes.

The EEC is undertaking to make final decisions upon action against suspect steel cargoes within 15 days of notification. In the past, the Commission has taken up to 15 months to rule on doubtful cases.

European steel makers believe that the Davignon Plan has a fresh chance of succeeding following deals arranged during the past week with the 81 Italian steelmakers.

The Bresciani have agreed new limits on their trade in certain types of steel with Britain, West Germany, France and the Benelux countries.

Effectively, Bresciani exports of bars and light sections to the other EEC countries will be cut by half.

A sales agency is being set up by the Italian steelmakers this week in Milan, to act as the monitoring authority for exports. An EEC official will be resident in the office.

Sales curb

British steel industry representatives have concluded an arrangement to limit tonnages sold by the independent north Italian companies into the British market to roughly half former levels.

Similar deals have been made by the other EEC national steel industries.

If the new arrangements with the Bresciani stick, major source of pressure upon the

Minimill challenge

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TUC seeks shorter week for manual workers

BY CHRISTIAN TYLER, LABOUR EDITOR

THE TUC is to tell the Government that its best hope of restricting wage rises to less than 10 per cent in the next bargaining round is to permit a two-hour cut in the working week without loss of pay for manual workers.

This is intended to be the heart of the understanding that many senior union leaders expect to reach next month before Phase Three of the incomes policy expires on July 31.

Although there will be no talk of a formal Phase Four, another year of silent TUC acquiescence in the Government's earnings target is in prospect.

The fact that an October General Election is on the cards will, according to some union leaders, ensure that the understanding and the wider union-Labour alliance will be backed by the annual Trades Union Congress this September.

Most white-collar workers, who have a 37-hour basic week compared with manual workers' 40 hours, will not benefit. It will be understood that people already working the standard 38 hours or less will not be entitled to extra money in lieu on top of the Government's "norm."

Although 35 hours will be the unions' policy commitment, the plan is to propose 38 as a first stage since that would add, on

Government estimates, between 2.2 and 3 per cent to labour costs compared with 8 per cent or more for a five-hour cut.

The TUC will argue that the existing limit of 10 per cent on top of the Government's wage norm will be spread over a fairly long period because shorter hours would not necessarily be taken up universally and would be introduced gradually.

Ministers will be told that a shorter week is now a genuinely felt demand among workers and that its granting would help curb expectations on the pay front.

Furthermore, it would be hard evidence of willingness to tackle unemployment in the most direct way.

Continued on Back Page

Pressure on Saudi Arabia and Iran to raise oil prices

BY RICHARD JOHNS

SAUDI ARABIA and Iran are under heavy pressure from other petroleum producers to agree to some increase, if only a nominal one, in oil prices to compensate for the depreciation of the dollar.

This evening Sheikh Ahmed Zaki Yamani, Saudi Minister of Oil, drove to the airport to meet Crown Prince Fahd and tonight he was understood to be holding urgent consultations with him.

Any concession to the demand for compensation for producers' losses because of the dollar's decline would require the assent of Crown Prince Fahd, who is the final arbiter of the kingdom's petroleum policy.

His stop-over here, en route to West Germany, where he is paying an official visit later this week, was scheduled but his meeting with his Oil Minister was more than a formal exchange, according to Saudi sources.

As the restricted meeting of heads of delegations broke up tonight Mr. Ali Jaidah, OPEC Secretary General, said: "We have discussed the dollar and inflation. So far we have not reached any conclusion. We meet again tomorrow."

Thus the conference, which many expected to last only until Saturday, will enter its third day with only qualified hopes of agreement being expressed by delegates.

Before going into this afternoon's session, Dr. Mohammed Yeganeh, head of the Iranian delegation, gave the clearest indication of greater flexibility when he said somewhat ambiguously that there would be no price rise "relative to inflation."

Some Community staff overpaid

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

MANY of the 12,000 permanent staff employed by the European Commission and other EEC institutions have for the past 18 months received higher pay than they are entitled to, because of a technical error.

In some cases, the over-payments are said to be £20 per week.

The error, estimated to be costing the Community several million pounds a year, became known to Commission officials and EEC governments more than a year ago, but has not been disclosed until now.

A plan to rectify it has been drawn up, but it will probably be several months before this goes into effect.

Officials in Brussels believe that the method chosen inflated the value of the family and expatriation allowances paid to a large proportion of the EEC's permanent staff.

The EEC's permanent staff are among the best-paid civil servants in Europe. On top of

Crucial trade pact talks open

By Jurek Martin, U.S. Editor

WASHINGTON, June 18. MINISTERS representing most of the major industrialised countries began three days of talks here today which are likely to be crucial in determining whether an international trade agreement can be reached by the Bonn economic summit in a month's time.

According to Mr. Robert Strauss, the U.S. Special Trade Representative, the chief aim of the negotiations is to narrow the outstanding differences separating the parties.

Both U.S. and European sources stress that it will not prove easy to resolve the most difficult sticking points—particularly the questions of access for agricultural products, subsidies paid to domestic industries by national Governments, and "safeguard" measures that might be applied selectively against the products of another country.

The U.S. would still like to reach a final agreement by the July 15 deadline set by Mr. Strauss to strengthen the deliberations of the seven Heads of State, plus the European Community, who are due to meet in Bonn three days later.

But if that goal is not met, Mr. Strauss, who is acutely conscious of the fact that any trade pact must be acceptable to the U.S. Congress, may pass the matter to the Heads of State in Bonn for final resolution.

All the parties generally agree that the trade pact must have political backing at the highest level to heighten its international acceptance and to act as a cohesive influence when officials bargain over the fine print later in the year.

Besides the three outstanding issues of agriculture, subsidies and safeguards, the Ministers this week will be discussing differences in customs valuations.

They will also discuss the state of the steel industry worldwide, including the possible creation of an international steel monitoring committee, the use of trade measures for balance of payments purposes and the demands of the developing countries.

Mr. Strauss is heading the U.S. delegation. Mr. Wilhelm Haferkamp, vice-president of the Commission, is representing the EEC. Mr. Nobuhiko Ushiba, Minister for External Economic Affairs, Japan and Mr. Jack Warren, Trade Co-ordinator, Canada.

World trade talks, Page 14

Backlog

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World trade talks, Page 14

Germans give warning on Boeing offer

BY ADRIAN DICKS

BONN, June 18.

THE ENTIRE future of the European aerospace industry would be put at risk if Britain accepted the offer of co-operation made to it by Boeing, rather than joining in the long-term offer of partnership with Europe which would follow participation in a 300 B10 version of the European Airbus.

These are the considered views of senior West German officials responsible for aerospace policy, and they have been expressed emphatically by them to the British Government. Among the risks Britain would take would be that of exclusion from future joint military aircraft programmes.

German officials are anxious not to make the reference to co-operation on military aircraft sound like a threat to Britain. But they clearly feel that the UK cannot turn its back on civil airliner co-operation and expect this to have no effect on the much larger military sphere where European governments are slowly feeling their way towards much more permanent aerospace collaboration.

While the Germans have shown much understanding for Britain's dilemma over whether to "go Boeing" or to join the Europeans and have also shown restraint in their public comments, officials here leave no doubt of their deep concern.

It is accepted that the Boeing offer of partnership in the proposed 757 airliner would provide more jobs in Britain in the short term and would also give immediate prospects of work to Rolls-Royce. By contrast, there is now little chance that the B10 version of the European A300 Airbus could provide a role for the British engine manufacturer.

Should Britain eventually decide not to join in the B10 project, the West German Government sees little hope of going any further with studies for the two proposed joint European transport airliners. However, neither of these still largely hypothetical projects carries anything like the same industrial or political meaning here as the B10.

Officials do not share the view of Airbus Industrie that the three projects make up a single package, if only because it is realised that funds to build all three will not be available if Britain is not a member of the partnership.

Shelton works land sale plea

THE UNION action committee at Shelton Steelworks, Stoke-on-Trent, wants the right to sell the land and the plant closes next Friday.

It fears that if the British Steel Corporation handles the both guarantee the future of sale, speculators will move in what should be a growth sector and enable European govern-

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THE RUBBER GROWERS' ASSOCIATION LIMITED

ANOTHER GOOD YEAR FOR PRODUCERS

PROGRESS TOWARDS AN INTERNATIONAL RUBBER PRICE STABILISATION SCHEME

Mr. R. G. DAWSON ON THE RELATIONSHIP BETWEEN PRODUCERS AND CONSUMERS

The Annual General Meeting of The Rubber Growers' Association Limited was held on June 16 in London.

Mr. R. G. Dawson, O.B.E., the Chairman, presided and opened the proceedings by paying tribute to the Association's late Special Representative in Malaysia, Tan Sri Sur Claude Gennet, K.B.E., C.M.G., Q.P.M., P.M.N., who died on June 15, 1977, and asking those present to stand in silence in his memory.

In the course of his speech, Mr. Dawson said:

Commodity Prices and Prospects
As a result of a combination of circumstances the price of rubber has risen considerably over the year under review than has often been the case. After a slow decline to a low point of 187 cents per kilo FOB at the end of June 1977, there was a fairly rapid recovery to a high of 221 cents per kilo in September; this peak was not, however, maintained and the latter part of the year saw a return towards the June price level—giving an average price for the year of almost 203 cents per kilo which can be regarded as a success. I am happy to be able to add that the current year has seen another rise, culminating early this month in a figure of 231 cents per kilo, the highest price reached since 1974.

The decline in the price of palm oil which was generally forecast did take place, and from the high point of 338 per metric ton CIF reached in April 1977, the price fell until it reached a low of only £235 per ton in October. Nevertheless, the average for the year was still £300 per ton, which, although nothing spectacular, is still considerably higher than was forecast and was not unrepresentative to efficient producers. During the present year, the price has recovered somewhat with recent quotations in the region of £330 per metric ton.

Members of the Association do, of course, grow a number of crops other than rubber and palm, and one which has in the last few years come into considerable prominence is cocoa. This particular crop, although undoubtedly at the present time more financially rewarding in terms of return per acre cultivated than either rubber or palm, demonstrated during the past year the kind of volatility in market price which is an anathema to producers and consumers alike. In July 1977, the price reached an astronomical £5,400 per metric ton, only to decline by December to £1,825 per ton—a decline which continued in the early months of this year to reach a low point of £1,525 per ton. Since that date there has been a brief recovery to almost £2,000 per ton, but recently the market has declined and latest prices are in the region of £1,650. So much is history. But what of the future? I would not venture to express any opinion as to what might happen to cocoa prices. For rubber, however, there appears to be ample reason to expect that, as always, every pound produced will be sold and that the price at which it will be sold during the current year will remain at least at or about its present level; indeed, I should not be surprised to see prices move gradually higher.

In respect of palm oil, the outlook is less clear. There are a number of particular factors affecting this market such as the considerable increase in refining capacity in Malaysia and a reversion of anti-palm oil propaganda in North America. However, the interdependence between oil results in palm oil prices generally being largely determined by how the total edible oil market behaves and this, in turn, depends on the production and crop developments of very many crops in very many countries. With a very sharp rise in world edible oil production this year of 2.6 million tons and prospects of a record U.S. soyabean crop later this year, we should perhaps be prepared to see some decline in palm oil prices in the fairly near future. In the longer term, the most authoritative data available, that prepared for and by the FAO, suggests that there is likely to be, in the next few years, a surplus of supply over demand in the world market for fats and oils. It seems quite certain that for palm oil there is no immediate prospect of any buffer stock or other international agreement for controlling world prices and I, therefore, would expect to see natural market forces resulting in a decline in the price producers of oil palm products may expect to receive.

International Price Stabilisation Schemes

It may be appropriate, at this point, to comment in slightly more detail upon the developments relating to International Price Stabilisation proposals. It is only in the case of natural rubber that discussions have actually reached the point of becoming negotiations. This satisfactory state of affairs is due mainly to the fact that the producer nations offered a reasonable basis for an Agreement and the consumer nations have been prepared to build thereon: the Association can take a certain amount of credit also, in providing an Adviser to both the UN Government and to the EEC, who has

been able to afford valuable liaison between the various—and sometimes opposing—points of view which have emerged. Nevertheless, it should be realised that there is still a long way to go, and a lot of work to be done before a viable Agreement is reached—and it will not be before the end of the year that we can be sure that all the obstacles have been overcome. On behalf of the Association I offer our good wishes for all those engaged in these delicate, but extremely important, negotiations.

I shall now comment on two or three issues which I believe to be of particular interest.

Relationship between Producers and Consumers

The first such issue is the whole question of the relationship between the producers and the consumers of the commodities in which we are interested. Members of this Association are, inevitably, concerned with this question in the context of the emergence of the Developing Nations and their increased and increasing demand for what has been called a New Economic Order which is reflected in one sense by Malaysia's own New Economic Policy and in another by the resolute polarisation between the "have" and the "have not" nations. On the one hand lies the entirely natural desire of producing countries to control completely their own economic resources, and on the other the equally natural desire of the consuming countries, which can also be the source of both capital and know-how, to make certain of obtaining the raw materials they require, in the form they require, and at a price as low as possible. It is my belief that the answer must lie—as it so often does—somewhere between the two extremes. No one, least of all members of this Association, would object to countries who rely on agriculture as the mainstay of their economy having equality of their own resources; equally, it must, I feel, be accepted that, in this market as in every other, the consumer and not the producer must be the final arbiter as to the form and nature of the product he needs. It is the task of the producer to be competitive.

Malaysia
This concept is extremely relevant to developments in Malaysia, where, and quite rightly, the greatest emphasis is put upon maintenance of the quality of the product. The RRM has earned itself a world wide reputation as the guardian of natural rubber quality and has pioneered in advanced techniques of production and packaging. Malaysia is now on the verge of establishing a new Palm Oil Research Institute to do, we sincerely hope, for the oil palm industry what the RRM has done for the rubber industry. The new Institute has been set up at the instigation of, and will be financed by, the producers; I trust that it will also appreciate, and be guided by, the basic requirement to meet consumer needs.

I would like to take this opportunity of extending to Datuk Musa Hitam our thanks for his courtesy and understanding, and while he occupies the post of Minister of Primary Industries and our very best wishes for success in his new post as Minister of Education. I am also happy to say that some members of the Council have already had the pleasure of meeting here in the UK the new Minister of Primary Industries, Datuk Taih. I am confident that the Association's relationship with "our" Ministry will remain as close and as determined by how the total edible oil market behaves and this, in turn, depends on the production and crop developments of very many crops in very many countries. With a very sharp rise in world edible oil production this year of 2.6 million tons and prospects of a record U.S. soyabean crop later this year, we should perhaps be prepared to see some decline in palm oil prices in the fairly near future. In the longer term, the most authoritative data available, that prepared for and by the FAO, suggests that there is likely to be, in the next few years, a surplus of supply over demand in the world market for fats and oils. It seems quite certain that for palm oil there is no immediate prospect of any buffer stock or other international agreement for controlling world prices and I, therefore, would expect to see natural market forces resulting in a decline in the price producers of oil palm products may expect to receive.

Another major problem which has still to be resolved lies in the requirement to meet the Malaysian Government's standards, recently laid down, for limiting pollution of the environment. This problem will require the full attention of the scientists of both industries if the very proper demands for anti-pollution measures are to be met without incurring expenditure which would make production unprofitable and therefore unviable.

The Chairman concluded by paying tribute to the work done by and the support he had received from his colleagues on the Council, Committees and Panels of the Association and the Director and Staff of the Secretariat.

OVERSEAS NEWS

EEC FINANCE MINISTERS MEETING

Consensus on recovery unlikely

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

FINANCE MINISTERS of the nine Common Market countries held their last meeting before next month's Bremen and Bonn summits in Luxembourg tomorrow, amid indications that they are unlikely to reach any major new decisions on the shape of a possible EEC economic recovery package.

The European Commission has already decided to drop earlier plans to recommend specific national growth targets for each of the Nine's economies. This follows the failure by Ministers of the 24 member countries of the Organisation for Economic Co-operation and Development to agree on any growth commitments when they met in Paris last week.

Instead, M. Francois-Xavier Ortoli, the Commissioner for Economic Affairs, will merely report on the outcome of private talks which he has held with EEC governments during the past few weeks. The Ministers may then draw up a statement on the general desirability of attaining higher growth rates to be submitted to the Council of Foreign Ministers when they make the final preparations for the Bremen summit later this month.

The continued reluctance of Germany and some other EEC governments to enter into any firm commitments to stimulate their economies is clearly disappointing to Britain, which has previously hoped that a greater measure of consensus would be reached on this score by now.

Nonetheless, the Chancellor of the Exchequer, Mr. Denis Healey, is reported to be confident that the principle of accepted monetary action is accepted by Britain's EEC partners and to remain hopeful that Germany will decide on some additional stimulative measures later this summer.

Few EEC governments appeared poised, however, to boost their economies at present. Indeed, the recent introduction of more restrictive fiscal measures in Britain, combined with budget-cutting moves in Belgium and the Netherlands, point to a generally more deflationary stance.

While the French Government is trying to boost business investment by freeing price controls,

its policy of maintaining strict limits on wage rises also seems likely to dampen demand. Much of tomorrow's discussions are likely to focus on technical proposals for possible EEC currency arrangements. The signs are that Mr. Healey will be ready to discuss the proposals in some detail but will wish to hear the German Government's views before declaring his own hand.

Before the ministers will be a report by the EEC monetary committee suggesting options for currency arrangements. The report was drawn up in the wake of the EEC "summit" last April, at which Chancellor Helmut Schmidt argued strongly for an EEC initiative in the currency field.

BRUSSELS, June 18.

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Soviet Union sharply attacks Carter, Brzezinski statements

BY ROGER BOYES

THE SOVIET UNION has issued one of its sharpest and most detailed attacks on President Jimmy Carter's foreign policy, accusing the U.S. of seriously threatening world peace.

It came in an authoritative 3,500-word editorial published in all of the main Soviet newspapers at the weekend, including the Communist Party organ Pravda.

The attack had two principal targets: President Carter's recent speech at Annapolis, naval academy outlining his policy towards Moscow, and the accusation by Mr. Zbigniew Brzezinski, the President's National Security Adviser, during a visit to China last month, that the Soviet Union

was violating "what was once called the code of détente."

Some Administration officials, said the editorial, were becoming so obsessed with the Soviet threat that they deliberately wooed China.

They also forgot that the Chinese leadership is playing a game of its own, it said. "Soviet/U.S. confrontation, and even better, war—that is the cherished dream of Peking."

Mr. Carter, said the editorial, had confused rather than clarified relations between the superpowers by his speech at Annapolis. His remarks had been carefully studied in Moscow, it said, but his policy was based on a contradiction between his continued assurances of loyalty to

détente with unconcealed attacks on the Soviet Union.

Mr. Carter's human rights campaign was described as "disastrous for mutual confidence" and the U.S. was accused of pursuing an interventionist neo-colonialist policy towards Africa, especially in Zaire. Russia and Cuba have repeatedly denied involvement in the Zaire fighting.

Although unsigned, analysts in London said the editorial bore the clear imprint of Mr. Alexander Bavin, a senior Soviet commentator on U.S. affairs, who is believed to be close to the Soviet President, Mr. Leonid Brezhnev. The editorial was clearly approved at the highest level within the Kremlin.

Fukuda calls for promise on protection

MR. TAKEO FUKUDA, the Japanese Prime Minister, said yesterday the summit of leading non-Communist industrial countries in Bonn next month would be a success if it could make a promise not to resort to protectionism. Reuter reports from Tokyo.

Mr. Fukuda told a news conference that no substantive results could be expected from the seven-nation meeting, which would discuss growth without inflation, trade, the problem of rich and poor nations, energy and currency issues.

Instructors for Zaire

CHINA HAS sent military instructors to help train Zaire's navy, Reuter reports from Kinshasa. Quoting diplomatic sources, the agency says the Chinese arrived on Saturday, a week before a Chinese military delegation is due to hold talks with Zairean officials. Zaire's navy is composed of about 20 river and lake patrol boats and has 800 men.

Somali leader's tour

President Mohamed Siad Barre of Somalia is about to visit western Europe and is expected to start with Bonn before travelling to London and Rome. Reuter reports from Mogadishu. The visits are seen as part of his country's shift from Soviet influence towards an accommodation with the West.

Rebuff for S. Africa

General Hendrick van den Bergh, the retiring head of the South African Government's Bureau of State Security (BOSS), has been refused a visa to visit the U.S., Quentin Peel reports from Johannesburg. Quoting Rapport, the Afrikaans Sunday newspaper, he says that no reason has been given.

Alliance continues

The Free Democrat Party (FDP) in the state of Hesse has voted in favour of continued alliance with the Social Democrats (SPD). Jonathan Carr reports from Bonn. The vote is a victory for Herr Hans Dietrich Genscher, the FDP chairman and Foreign Minister. He feared that if the FDP retreated from clear support of the SPD after recent electoral setbacks, it could lose all credibility with the voters at the state elections in October.

Compromise on Belgian Budget deficit measures

BY OUR OWN CORRESPONDENT

BRUSSELS, June 18.

THE POLITICAL crisis set off by M. Leo Tindemans' threat to resign as Prime Minister of Belgium on Thursday appeared to be well on the way to a solution this evening after a week-end of intensive consultations between members of the country's four-party coalition Government.

M. Tindemans said this afternoon that he was satisfied that solutions had been found to differences in the Government over plans to put into effect a series of measures aimed at dealing with pressing economic problems and the large deficit on the national budget.

While he did not disclose the exact measures agreed, he said

that they would be submitted to Parliament at the same time as the Government's intricate proposals for greater regional autonomy in the Flemish and French-speaking communities.

In addition, the discussions appear to have produced a compromise concerning demands by M. Tindemans and his Social Christian Party that the Government be granted temporary special powers to legislate the 1979 Budget by decree.

The results of the weekend's negotiations will be formally presented to the leaders of the Government's four parties tomorrow. If they are accepted, M. Tindemans is expected to withdraw his offer to resign.

Sithole against reopening political issues

By Our Own Correspondent

SALISBURY, June 18.
RHODESIA'S Transitional Government would not exchange the internal settlement for the Anglo-American plan for all-party talks, the Rev. Ndabaningi Sithole said in an interview published here today.

Mr. Sithole, who is a member of the four-man Executive Council, was commenting on the suggestion by Dr. David Owen, the British Foreign Secretary, that an all-party conference including the Patriotic Front guerrilla alliance, could take place next month.

Mr. Sithole said the council was not prepared to set aside the settlement to accommodate Mr. Joshua Nkomo and Mr. Robert Mugabe, the externally-based leaders of the Patriotic Front.

As far as we are concerned, the political problem has been resolved. We still cannot see that any good purpose can be served by the talks, if these are intended to reopen issues that have already been resolved by the Salisbury agreement.

The Rhodesian military command reported the death of nine black civilians, including a tribal chief, through guerrilla action. Six guerrillas and one "collaborator" were killed. An elderly white couple were killed on their farm, 55 miles from Bulawayo, by guerrillas who also killed a black employee and burned buildings.

Left-wing leader held during Peruvian voting

By Hugh O'Shaughnessy

LIMA, June 18.
A SHADOW was cast over national elections today when General Leonidas Rodriguez, an important figure of the Peruvian left, was arrested as he was leaving a polling station this morning after voting for the planned constituent assembly.

General Rodriguez, leader of the Revolutionary Party (PSR), and formerly a close collaborator in the radical Government of the late General Juan Velasco, has been in hiding since his deportation was ordered last month by the Government of General Francisco Morales Bermudez.

The PSR says that the arrest of General Rodriguez, who is expected to be deported soon, has demonstrated the defective nature of today's poll.

General Morales has called the elections for a 100-man constituent assembly which would prepare a new constitution and the hand-over of power to a civilian Government in general elections to be held in 1980.

With the Peruvian economy passing through a severe crisis and the International Monetary Fund likely to demand very severe deflationary policies in negotiations due to start next month, it is widely believed in economic circles here that the opening towards democratic government will be difficult if not impossible.

It is widely expected that the programme for a return to civilian rule by 1980 is unlikely to be fulfilled.

Franjeh ultimatum to Phalange

BY ISHAN HIJAZI

MR. SULEIMAN FRANJEH, the former President of Lebanon, still mourning the death of his eldest son Tony at the hands of rival Christian militias, has served an ultimatum on members of the Phalange Party in northern Lebanon to quit the party or leave the area altogether, and thereby increased the chances of further clashes.

He set the end of this month as the final deadline for them to make up their minds, promising that no harm would come to them before then. So Mr. Franjeh's warning was read out today at church services in villages and towns in the north.

Mr. Tony Franjeh, his wife and their baby daughter were killed along with 30 others in an attack by militias of the Phalange Party against the town of Bulayyah, about 30 miles north-east of here last Wednesday. The former President served the ultimatum on Saturday when

representatives and priests from 54 villages in the north called on him at his hometown of Zgharta, not far from Hiden, to extend their condolences.

In his angry remarks, which were on the front page of most newspapers here today, Mr. Franjeh described the Phalange Party as "evil" and a "microbe which is seeking to sow discord among the people of the north."

The ultimatum was interpreted by observers as indicating that the hunt for the Phalangists in the north will begin when the deadline expires. It was read out today at church services in villages and towns in the north.

President, has his summer residence. They called on Mr. Karami, a prominent Muslim leader, to intercede with Mr. Franjeh on their behalf.

The Phalangis and the majority of the Phalange Party members belong to the Maronite community, the largest Christian denomination in Lebanon.

Reuter adds: About 700 men belong to mainly-Christian militias in south Lebanon have said they will shoot any members of the UN force who attempt to take over positions evacuated by Israeli troops last week.

A UN spokesman said he was confident that the UN force could overcome the problem without resorting to arms.

Major U.S. nickel and chrome mining to go ahead

BY ANTHONY POLSKY

NI-CAL Development of Vanadium has virtually completed major acquisitions of mining claims along the Oregon-California border which will allow the almost immediate development of large nickel, chrome and cobalt deposits. Mr. William Carter, the president, said yesterday.

Development could significantly reduce U.S. dependence on imports of these minerals, which last year cost about \$1bn. NI-CAL claims a private company backed by Canadian financial interests, have almost acquired 100,000 acres of land estimated at between 100m and 200m tons, containing 1 per cent nickel, 2 per cent chrome, and between 1.5 and 4.0 lbs of cobalt per ton.

NI-CAL has claims in the same area and Mr. Carter said his company had acquired essentially all the mining rights to one of the largest laterite nickel deposits in the world. He added that the deposits had been mined

in World War II by the U.S. Government. Documents of intent have been signed by Mr. Carter and Mr. Jack White, the president of Inter-American. The transaction, involving the transfer of 270,000 NI-CAL shares to Inter-American, will be completed by the first week of July.

Upgrading earlier projections, Mr. Carter said NI-CAL was prepared to build possibly three, not two, metallurgical plants, each of which would be capable of processing 5,000 tons of ore a day. The cost of each plant would be between \$80m and \$100m. He made an initial estimate that the ore body could yield 32m lbs of nickel and 2.5m lbs of cobalt annually. He calculated that reserves are sufficient to keep three plants working profitably for more than 20 years.

Construction could start late next year, or in 1980 at a site near Crescent City. NI-CAL has already had negotiations with interested Federal and State regulatory agencies.

Pay deal at Daily News

BY STEWART FLEMING

NEW YORK, June 18.

THE THREAT of a city-wide newspaper strike eased yesterday when members of the Newspaper Guild of New York, representing 15,000 workers as well as some office staff, reached a new contract agreement with The New York Daily News, the U.S. paper with the largest circulation in the country.

The agreement ended a five-day strike at the News which at times had given way to violence. It is expected to set a pattern for agreements involving eight other unions at the News. The News has 15,000 employees. Similarly any concessions by the union will be seen as part of the Daily News' shift from Soviet influence towards an accommodation with the West.

Negotiations will continue at the other newspapers and the Times has given way to violence. It is expected to set a pattern for agreements involving eight other unions at the News. The News has 15,000 employees. Similarly any concessions by the union will be seen as part of the Daily News' shift from Soviet influence towards an accommodation with the West.

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WORLD TRADE NEWS

Australia hopes to raise iron ore exports to China

BY JOHN HOFFMANN

PEKING, June 18.

THE LIKELIHOOD of significant new sales of Australian iron ore to China is very strong, according to Australian officials in Peking. The forecast was made on the eve of the arrival of an Australian Government-sponsored iron and steel mission for a three-week visit.

Members of the mission, due in Peking late tonight, represent most of Australia's major iron ore miners and steel producers.

High hopes for further iron and steel sales to China emerged several weeks ago during a visit by the Australian Minister for Industry and Commerce, Mr. Lynch.

He was assured in talks with metallurgical and trade officials that China would need greater quantities of imported iron ore

to support its plan to increase annual steel production from 25m tonnes to 60m tonnes by 1985.

In the 1977 calendar year Australia sold to China about 3m tonnes of ore worth more than \$30m. The Australian Minister for Trade and Resources said Parliament recently that this figure was expected to be 4m tonnes in 1978.

In Peking this weekend the Australian Ambassador, Mr. C. G. Woodward, said Chinese imports of iron, steel and ore were already at their highest levels.

Australia will be in a secure position to press for further orders for iron and finished steel as well as iron ore, China is building ten new steel plants as part of its modernisation and industrialisation programme, but its demand for finished and special steels will lag behind production for some years.

Already Australia counts as one of China's most important sources of iron ore. China has vast resources of its own but of a low grade, but high-grade Australian ore, with its iron content of about 60 per cent, has been mixed with local ore to upgrade it.

The proportion of Australian ore going into furnaces is believed to be between 10 and 20 per cent. These figures suggest a potential demand for at least 10m tonnes a year of high-grade imported ore when China reaches its annual production goal of 60m tonnes.

Mr. Fraser and Singapore's Prime Minister Mr. Lee Kuan Yew flew into Kuala Lumpur today and held three hours of talks with their Malaysian counterparts.

Datuk Hussein Onn, mainly on the state of international economic negotiations.

Fraser gets support in SE Asia

By Wong Sulong

KUALA LUMPUR, June 18.

AUSTRALIA'S PRIME Minister, Mr. Malcolm Fraser, who has been visiting the U.S. and Europe for the past two weeks, is pressing for a better deal for Australia in the current Multinational Trade Negotiations in Geneva, today won the support of Malaysia and Singapore.

Mr. Fraser and Singapore's Prime Minister Mr. Lee Kuan Yew flew into Kuala Lumpur today and held three hours of talks with their Malaysian counterparts.

Datuk Hussein Onn, mainly on the state of international economic negotiations.

The three premiers, at a joint news conference, said they had agreed to hold close consultations and adopt a common approach at the MTN talks.

Morocco to cut imports

By Our Own Correspondent

RABAT, June 18.

THE DECISION by King Hassan of Morocco taken early this month to slash imports by 20 per cent in the next three years, takes effect tomorrow when restrictions are imposed on the import of some 500 products half of which will be simply banned.

Prohibited imports now include a variety of foodstuffs, confectionery, household appliances, clothing, papers, cars, motorcycles and cycles.

Many of these items are made or assembled in Morocco. Others (notably foods) are considered luxuries.

The Export Credits Guarantee Department has agreed to guarantee the repayment and funding of a \$15m line of credit to be made available by Samuel Montagu, acting on its own behalf and for Lloyds Bank International and Lazard Brothers, to Banque Marocaine du Commerce Extérieur of Morocco (BMCE).

DUTCH CONTRACTORS

Looking beyond the Middle East

BY CHARLES BATCHELOR IN AMSTERDAM

DUTCH CONSTRUCTION companies have started to look beyond the Middle East for new market opportunities. Many major building contracts still have several years to run to completion and the largest one yet, worth about £1,000m (set. 1981), for a university complex at Riyadh in Saudi Arabia, has still to be awarded. But after only a few years of hectic activity the oil states spent their newly acquired wealth, the Dutch have begun to search for new opportunities.

These lie in the development of new geographical areas and equipment and techniques to handle new tasks. Deep sea mining and dredging will be one of the growth areas of the next 10 years if the investment activities of Holland's building companies are anything to go by.

The Middle East boom years were a period of strong growth for companies such as Hollandse Beton, whose turnover rose from £1.1m (\$150m) to £1.244m (\$1.61m) in the five years to 1977, while Stevin recorded an increase from £1.591m to £1.799m. By 1977 these two companies were achieving about 80 per cent of turnover outside Holland, much of it in the countries around the Gulf.

Bos Kallis Westminister made 70 per cent of its turnover abroad. The value of individual orders increased. A £1.1m order to dredge an industrial harbour at Toluca was won by Stevin, Bos Kallis and Zaanen Versteer. This was topped by a £1.4m order placed with Oem for 32 tower blocks at Dammam, Saudi Arabia, while Ballast-Nedam broke all records with a £1.47m order for a number of townships in Saudi Arabia.

Isolated large orders may still be won but the boom period is clearly over and governments are seeking an increasing share of local participation. With the notable exception of Saudi Arabia and the United Arab Emirates many Middle East countries have been forced to put a brake on spending. Competition from countries such as

South Korea, Taiwan, Greece, Yugoslavia has reduced margins. Executives of the Dutch construction companies admit they cannot compete with the prices quoted by many of these countries whose workers are often prepared to accept semi-military discipline in their work camps. Dutch employees have higher than average expectations when it comes to home leave and salaries.

The Dutch contractors are, therefore, resigned to seeing the less complex projects go to the less sophisticated companies often from newly developing countries. Where managerial skills, technology and the logistics are more demanding, however, the Dutch feel they still have a big role to play.

Oem, which unlike the other Dutch contractors is primarily a trading group, with only 14 per cent of its 1977 turnover of £1.35m coming from its building activities, cites the Dammam order as a case in point. In what the company describes as the largest operation of its kind since D-Day, it has arranged the shipment of 640,000 tonnes of concrete elements from Europe to the Middle East.

Seven specially modified bulk carriers are engaged in a constant shuttle over 15 months to get the components to the building site to meet the tight construction schedule. Contracts like this not only require the shipment of bulk items—Oem also has to watch over the details and ensure there are pencils in the desks.

Stevin also wants to extend its role in projects of this kind and hopes to be involved from the design stage through to the

management of the completed contract instead of simply being called in to carry out the engineering work.

Ogem sees projects like this as the export of management know-how. Part of the attractiveness of Dutch contractors to Middle East customers is their ability to arrange the back-up services needed to carry out these projects. Ogem has its own transport division but turned to the largest Dutch shipping line, Nedlloyd, to arrange the transport of many components to Rotterdam by road and barge and then to Dammam by sea-going vessel. Shortly after signing its £1.47m contract to construct for a semi-submersible self-elevating cutter-dredger which will cost £150m. It will be built at a Dutch yard and is due for delivery in September 1979. Stevin sees this as the first of a new generation of sea-going dredgers which can work in wave heights of 3 to 4 metres.

The development of new equipment opens up new markets for the contractors. Their favourable level of profits mean financing is not a major problem. Stevin recently placed an order for a semi-submersible self-elevating cutter-dredger which will cost £150m. It will be built at a Dutch yard and is due for delivery in September 1979. Stevin sees this as the first of a new generation of sea-going dredgers which can work in wave heights of 3 to 4 metres.

The eight-legged dredger can reach to depths of 32 metres and will be able to tackle hard soil conditions. Its applications are in sea-mining, pipeline trench making and harbour excavation on inaccessible coasts. Adriaan Volker, too, has high hopes of a new technique which it has developed for covering pipelines on the sea-bed.

Bos Kallis is a partner in a combined venture with Lockheed Missiles and Space, Amoco Minerals and the Royal Dutch Shell subsidiary Billiton International Metals, to mine manganese nodules in the Pacific Ocean. Minerals expects to start deep-sea mining in an area between the Bay of California and Hawaii in the mid-1980s.

Despite the fact that much of present day Holland owes its existence to the precursors of these construction groups, opportunities at home remain limited. The slow-down in population growth and increased concern for the environment have led to shelving of several ambitious land-reclamation plans so the Dutch will probably remain a permanent feature on the international contracting scene.

Group	Turnover (bn)	Net profit (m)	Order book (bn)
Hollandse Beton	2.44	48.6	3.4
Beton Groep	1.29	31.3	2.2
Stevin Groep	1.32	44.9	2.5
Bos Kallis Westminister	1.21	17.6	5.5
Ballast-Nedam	1.01	40.1	1.5
Adriaan Volker			

Greece seeks Arab investment

BY OUR OWN CORRESPONDENT

ATHENS, June 18.

MORE than 100 leading Arab bankers and investors, investors and economists are expected to participate in the first Greek-Arab investment meeting (GAIM) to be held in Athens next week.

The purpose of the meeting, which is under the auspices of Mr. Constantine Mitsotakis, the Greek Minister of Co-ordination, is to explain to Arab participants the opportunities that Greece offers to Arab investors in the various sectors of the Greek economy and also to point out the favourable investment conditions and incentives available.

Prof. Ioannis Georgakidis, Greek Ambassador at large for the Arab countries and chairman of the Hellenic Chamber for Development and Economic Co-operation with the Arab Countries (CDC), which is organising the meeting, said that economic profiles of about 70 specific investment projects in Greece will be presented to the Arab participants.

These projects represented investments totalling some \$2bn. They include several projects in Government-controlled agencies such as the \$640m petrochemicals complex planned by the Hellenic Industrial and Mining Investment Company.

Professor Georgakidis said the largest number of the projects were in industry, including alumina and asbestos plants, but there were also some interesting projects in tourism, agriculture

(in the processing of fruits and vegetables) as well as in shipping.

Mr. Walter Buchholz, director general of the CDC, said the organisers' aim was to act as a matchmaker between Greek companies seeking Arab capital and Arab investors through equity participation or through loans and potential Arab investors participating in the meeting.

Mr. Buchholz said the Arab participants who have confirmed they will attend the GAIM come from all of the major oil-producing Arab countries and particularly from Saudi Arabia, Kuwait, Bahrain and Egypt. There were also participants from the United Arab Emirates, Jordan, Syria, Lebanon, Oman and Libya.

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Contracts

DJB Engineering has received an order worth \$2.3m for 12 D550 articulated dump trucks. The order has been placed by one of DJB's Texas dealers Mustang Tractor and Equipment Company, Houston, which has sold the trucks to Brown and Root in the U.S. The D550s which have a capacity of 55 tons are for use on a major construction project.

CAE Electronics Ltd. a unit of CAE Industries of Toronto said KLM Royal Dutch Airlines had ordered two aircraft flight simulators valued at about \$5m. The simulators will be delivered in 1980. The order was received an order for five hydrogen generators for the Royal Dutch Army. The equipment will be similar to that supplied to the British Army in 1977 and delivery should be completed within 12 months. The latter G4M systems produce ultra-pure hydrogen on-site for the inflation of balloons used with artillery meteorological systems.

Italeconsult of Italy has received a contract for projecting and managing construction of a 120km long highway section between Al Wajir and Tarif, in Saudi Arabia. Italeconsult, a construction group subsidiary of Montedison, said the project involved the first section of a longer highway reaching the industrial area of Ruwail.

ICI will produce and market systems for rigid and flexible polyurethanes in Yugoslavia through PDR Systems, a joint venture created by ICI, Sodasol, a major Yugoslavian chemical manufacturer located in Bosnia-Herzegovina, and Inter-Exports, ICI's selling agent in Yugoslavia. Production capacity is 7,000 tonnes per annum.

An order worth some \$500,000 has been won by the chief hotel division of Heylert Morris from the Turkey Electricity Authority for several hundred lever and hand-operated chain hoists of up to 10 tons capacity. These are required for erection and maintenance duties on power lines and power stations throughout the country.

SHIPPING REPORT

Japan may soon use tankers for storage

By Lynton McLain, Industrial Staff

AGREEMENT WAS almost reached last week between the Japanese Congress and tanker owners on the use of super-tankers for storage.

The move is designed to remove excess capacity from Japanese oil tanker fleets in an attempt to improve cargo rates for owners.

Tanker owners are to be asked to tender to the early part of July, with the first 10 very large crude carriers lifting their cargoes in September. The following 10 suggested in the proposals for storage may then enter storage in October. Hire for storage would be at a rate of \$400 per deadweight ton.

In the Gulf, 47,500 dwt tons are now idle or expected to be decommissioned. Brokers said last week the figure was now approaching a record high.

The volume of tanker tonnage heading for the scrapyards slowed last week, as a result of the bottleneck in yards in Taiwan, where vessels were queuing-up to enter harbour.

Scrap prices have declined and brokers are not optimistic of an early solution to the bottleneck.

Rates for oil tankers chartered from the Gulf remained unchanged last week. Worldscale 18.75 was the best that was reported for ultra large crude carriers and Worldscale 20 for VLCCs. The use of smaller ships has not materially altered with 110,000-ton cargoes moving to Quebec at Worldscale 40.

Dubai has been the only market to hold up with cargoes covered for Eastern and Western destinations. A 110,000-ton vessel was fixed at Worldscale 42 for a voyage to the West, and a 92,000-ton cargo was moved to Japan at Worldscale 37.

Inquiries from the Mediterranean were slightly more abundant. Ships did not find it too difficult to obtain cargoes last week. The main destination was the U.S. Cargoes for West African loadings have been scarce, with few fixtures reported.

Most of the U.S. bound cargo charters came from New York. Galbraith Wrightson, London brokers, said that conditions on the London market picked-up on Friday, but there was a hope that the conditions would continue an upward recovery in charter rates.

On the sale and purchase markets, prices for bulk carriers hardened towards the end of last week. The best example quoted by London brokers was the reported sale of the British flag bulk carrier, "Gunard Champion," 24,648 dwt, built in 1973. This was sold for US\$4.4m, compared with the price for a sister ship last month of \$4.1m.

On the dry cargo market, rates have eased, although not across all vessel sizes. In the Atlantic, a 60,000 cargo of grain was fixed for a voyage from the Gulf to Europe at \$6.75, 75c down from peak levels. Rates were slightly better in the Far East.

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HOME NEWS

Business trip to London

now £53 a day

IT NOW costs a visiting foreign business executive more than £50 a day to stay in Britain, according to a new survey.

That does not include any provision for expense-account entertaining while he is here, the magazine Business Traveler says. The cost of a good hotel room and bath, "decent" meals, taxi and underground fares, newspapers, laundry and telephone calls amounts up to £53 daily, it says.

Cheaper city

Although this represents a 1 per cent increase in the last eight months, London is still one of Western Europe's less expensive cities for foreign business visitors.

For every £100 the executive spends in London, the survey finds that he would have to spend £135 in Brussels, £113 in Paris, £121 in Amsterdam and £117 in Zurich.

The cost in New York is actually 4 per cent less than in London, while the cheapest European city is Lisbon, £44. The most expensive in the world is Kuwait at £226.

Army show billed as biggest

Financial Times Reporter

THE FIVE-DAY British Army Equipment Exhibition, which opens today in Aldershot, has been billed as the largest venture of its kind ever.

Representatives of more than 90 nations, including the Chinese on their first official defence visit, will see over 10,000 exhibits, including Chieftain tanks.

About 250 companies, as well as the UK Government-owned Royal Ordnance Factories, will be at the private exhibition, now held every two years. The size of the show indicates the scale of Britain's arms sales overseas. Sales have been running at an estimated £1bn or more for the last two years.

HOLYROOD RUBBER

Mr. Mathews' Statement

The 65th annual general meeting of Holyrood Rubber Limited was held on 16th June in London. Mr. D. R. Mathews (the Chairman) presiding.

The following is an extract from his circulated statement: After serving the company for 41 years as a director, including 34 years as Chairman, Mr. Jack Addinsell retired on 31st March, 1978. Sir Finlay Gilchrist, O.B.E., who joined the Board in 1954, also retired last September. Mr. P. T. Gunton, J.M.N., and Mr. R. H. Paylor have been appointed to fill the vacancies. Both gentlemen are well qualified by their extensive experience in management of plantation companies, both having also served in the East for many years. Stockholders will wish me to acknowledge the outstanding services which the company has received from Mr. Addinsell and Sir Finlay Gilchrist.

Good rubber cropping results during the first quarter of 1977 were not maintained, mainly due to weather conditions, and the year's harvest at 1,020,593 kg. was 31 per cent down on the 1976 figure. The surplus on trading was £67,052 and after bringing in investment income the pre-tax profit was £54,660, against £100,722 for 1976.

As the company has now been released from dividend limitation the Board is able to relate distributions more realistically to profits and we are recommending a final dividend of 26 pence per £1 stock unit making, with the 7 pence interim paid last February, a total of 33 pence per stock unit for the year. The dividends will cost £28,430 net.

We are pressing on with our policy of diversification into oil palms, the programme for this year being 88 acres. The visiting agent has reported satisfactory agricultural conditions and that our immature areas are growing well.

Prospects for 1978 depend, as always, upon the prices obtainable for our products but current estimates suggest that results may not be materially different from those of 1977.

The report was adopted.

AGENTS & SECRETARIES:
HARRISONS & CROSFIELD, LIMITED

Receipts of National Savings down £55m

BY ERIC SHORT

NATIONAL SAVINGS investment declined substantially last month, in spite of the continued popularity of National Savings Certificates.

Provisional figures issued by the Department for National Savings show net receipts of £31.8m last month, compared with £137.4m in April.

This brought total net savings—excluding accrued interest—in the current financial year to £19.2m, as against £285.9m in the corresponding period last year.

Net receipts for National Savings Certificates amounted to £47.6m. Although these are lower than April's figure of £58.1m, the investing public was still taking advantage of the continued availability of the 14th issue, yielding 7.55 per cent net.

The recent increase to £3,000 in the maximum individual holding takes effect on July 1.

Average monthly sales in the last financial year of National Savings Certificates amounted to about £22m.

The most telling feature in last month's decline in receipts was a strong withdrawal of funds from the National Savings Bank investment account, coupled with smaller amounts being invested.

Overall, there was a small net outflow of £0.1m in May, following more than 12 months of steady positive cash flows into the account.

Sluggish

This changeover probably represents action by certain investors in moving funds out of the National Savings Bank investment account into other sectors of the money market, which, after the recent rise in

interest rates, can now offer better returns.

The bank has always reacted sluggishly to interest-rate changes. When interest rates fell, many investors, including some financial institutions, took advantage of this sluggishness and invested in the Savings Bank because its rates were one of the highest then available in the money market.

This month is almost certain to see an acceleration of funds out of the Savings Bank investment account. Stockbrokers Joseph Sebag and other commentators have been making strong recommendations to investors to switch to other money-market sectors.

Overall, National Savings funds, boosted by accrued interest in May amounting to £35.5m, rose to £10.33bn by the end of the month.

Iran orders save Chrysler jobs at Coventry plant

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

CHRYSLER UK has won important new orders from Iran to safeguard jobs at its Stoke engine plant, Coventry.

Iran National, the State-owned motor corporation, requires 12,000 more sets of components for Paykan car, assembled in Iran.

The demand comes after a recent "open day" when Iran National offered to sell the Paykan direct to customers because of complaints about a black market in the cars.

About 75,000 people queued and camped outside the plant, and to the west of Tervan, for up to two days in a single day.

A £25m programme to modernise Iranian facilities and expand capacity to 150,000 units a year is nearing completion.

Skye crofters offered land at 5p an acre

CROFTERS on the Isle of Skye have been offered the chance to buy their land for only 5p an acre. The offer comes from a Dutch landowner who bought the Waterish Estate on the island earlier this year.

Mr. Johannes Hellinga plans to farm two parcels of land on the estate and does not want ships on the Waterish Estate.

Aircraft sprinklers call

A CALL for large passenger aircraft to be fitted with sprinkler systems was made yesterday by Mr. Brian Powell, station officer in charge of the Carlisle fire station.

This would give the aircraft protection at all times, which the

NEW INTEREST RATES

Following the recommendation of the Building Societies Association, Gateway Building Society will operate the following rates of interest from 1st July 1978.

Investment Shares	6.70% net = 10.00% gross*
Gateway Bonds (3rd Issue)	
(Two-year term investment)	7.20% net = 10.75% gross*
(Three-year term investment)	7.70% net = 11.49% gross*
Monthly Income Shares	6.70% net = 10.00% gross*
Monthly Income Bonds	
(Two-year term investment)	7.20% net = 10.75% gross*
(Three-year term investment)	7.70% net = 11.49% gross*
Planned Savings	7.95% net = 11.87% gross*
Deposit Accounts (Personal)	6.45% net = 9.63% gross*
Deposit Accounts	5.70% net = 8.51% gross*
(subject to basic rate tax)	
SAVE Bonus: Interest as before	
Savings Accounts (Issue closed)	7.20% net = 10.75% gross*
Gateway Bonds	
(2nd Issue now closed)	
(Two-year term investment)	7.45% net = 11.12% gross*
(Three-year term investment)	7.95% net = 11.87% gross*
(Four-year term investment)	8.45% net = 12.61% gross*

*Assuming basic rate income tax at 33%



Member of the Building Societies Association
Assets of £550 million, with funds for investment by Trustees
Direct Offices and Agents throughout the U.K.

For further details call in at your local Gateway Building Society Office or write to Head Office, Gateway Building Society, P.O. Box 15, Worthing, West Sussex, BN11 3 QD.

Building research 'being hit by cuts'

FINANCIAL TIMES REPORTER

CUTS in public spending have severely affected Government research into the construction industry, Dr. Roy Rowe, director-general of the Cement and Concrete Association, says.

Many senior experienced researchers in Government laboratories have been lost,

mainly through early retirement, says Dr. Rowe in his 1977 annual report. "This is bound to have an impact on the nature and quality of that research and development work for many years to come."

The significance of industry-based research was bound to increase as a result, especially since the high cost of working out energy options in future would put growing pressure on the construction industry.

Energy conservation requirements in building should be more closely linked with the design process.

Building Regulations had adopted a "somewhat irrational attitude" by treating insulation in isolation, rather than as part of the total design process.

The association is a research body financed by the industry.

Put houses on market

says survey

By Christopher Dunn

HOME OWNERS are urged to put their houses on the market as soon as they think of moving in a survey of the UK property market by the Royal Institution of Chartered Surveyors.

This would help to reduce the shortage of houses for sale and prevent house prices rising said Mr. John Thomas, president of the Institution.

But prices were beginning to stabilise. New houses showed the biggest price increases.

Many people were carrying out improvements rather than buying another house.

"Ensure that the expenditure results in an increase in the property value of at least the cost of the work," Mr. Thomas said.

5841 BENATH GR
25323 BENLON G

ATHENS, MR ARGHYROU

URGENT - BOOM IMMINENT - BUY UNITED OIL AT UP TO \$ 2.70.

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CANBERRA, MR MACDONALD

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Woolwich

Higher Rates for Investors

The following increased rates of interest to investors will apply from 1st July 1978.

	Rate p.a.	Gross equivalent with income tax at 33%
Share Accounts	6.70%	10.00%
Monthly Income Shares	6.70%	10.00%
Savings Plan Accounts	7.95%	11.87%
Deposit Accounts (Ordinary/Personal)	6.45%	9.63%
Investment Certificates 2 year	7.20%	10.75%
" 3 year	7.70%	11.49%

*The rate of interest on all other Certificates will be increased by 1.20%

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Type in a message: the ADX both stores it—on magnetic disc in a micro-computer—and rushes it automatically to all points in your network.

Virtually simultaneously.

And if any one's busy, it keeps trying regularly till it finally gets through.

It will even sort out your messages in order of urgency.

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or receive across the globe in seconds. It works almost as quickly with the public telex system.

Banks and brokers use it, of course. But so do car, paper and chemical companies, to keep track of their scattered networks.

Finally, recent technology has brought this sophisticated device within the means of a far wider market.

All the same, it still doesn't come cheap.

But without it, United Oil and the like will never come cheap either.

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NEW ISSUE

May 26, 1978

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Issue price: 99.50%

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Okasan Securities Co., Ltd.

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June 1978

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June 1978

This announcement appears as a matter of record only

Financial Highlights**1977 at a glance**

(in DM million)

Balance sheet total	16,378
Due from banks	5,669
Due from non-banks	7,991
Due to banks	6,728
Due to non-banks	1,041
Own bearer bonds	7,785
Capital and Reserves	412

Good results in 1977

Badische Kommunale Landesbank, one of Southwest Germany's leading banks, registered good results in 1977. The balance sheet total reached DM 16.4 billion, an increase of 8.6% over 1976.

Our international activities continued to gain momentum in 1977, the Bank's 61st year in business. Badische Kommunale Landesbank International S.A., our wholly-owned Luxembourg subsidiary, began operations in July and got off to an excellent start. Its services are focused on short and medium-term Eurocredits and syndicated Euroloans, money market and foreign exchange transactions, and Eurobond trading.

Forfäherung und Finanz AG, our subsidiary in Zurich

which concentrates on non-recourse financing (à forfait), short and medium-term trade financing, as well as other specialized financial services, also reported good results for the year.

Badische Kommunale Landesbank is a regional universal bank headquartered in Mannheim. As central bank of 69 Sparkassen in Baden, we are linked to Germany's powerful network of savings banks.

For a copy of our 1977 Annual Report, just contact:

Badische Kommunale Landesbank - Girozentrale -
Augusta Anlage 33 - 6800 Mannheim 1 (West Germany)
Telephone: (0621) 458537

**BADISCHE
KOMMUNALE LANDESBANK
GIROZENTRALE**

Badische Kommunale Landesbank - D-6800 MANNHEIM 1 (West Germany)

**A FINANCIAL TIMES SURVEY
ARAB BANKING
AND FINANCE****JULY 24 1978**

The Financial Times proposes to publish a Survey on Arab Banking and Finance. The provisional editorial synopsis is set out below.

INTRODUCTION The Arab economic and financial scene nearly five years after the oil price rise. For some of the oil revenue surplus states, slower economic growth as a result of rising domestic spending, higher inflation, declining oil revenues and sagging oil output. The continuing dynamism of Saudi Arabia. Budget and balance of payments concerns of higher population OPEC countries. Economic situation of the non-OPEC Arab states, dependent more or agricultural exports and relying heavily on aid from the richer Arab countries. Effect of the declining value of the dollar on oil revenues and the OPEC surplus. Attempts to arrive at a new OPEC pricing method.

DISPOSAL OF STATE SURPLUSES Decline in the annual surpluses of most of the oil producing states since 1974. Need for most states to keep the bulk of their surpluses in liquid form. The chronic surplus states Saudi Arabia, UAE, Kuwait and Qatar.

FINANCIAL CENTRES AND THE GROWTH OF CAPITAL MARKETS The increasing sophistication of Arab financial markets. Development of Kuwait, Bahrain and Dubai as financial centres.

THE INTERNATIONAL BOND MARKET Activity of Arab financial institutions on the Eurobond market in the management, underwriting and subscription of loan issues. Their importance in the international bond market as a whole. The position of Kuwaiti concerns in the management and placement of syndicated loans and convertible issues.

CONSORTIUM BANKING The growth in the past few years in the number and size of financial institutions bringing together Arab

and Western banks. The purpose of such consortia.

INTRA-REGIONAL INVESTMENT Investment by the revenue surplus states in the poorer Arab states, as well as within the Gulf states themselves. State, semi-official and private institutions investment.

LONGER-TERM FINANCING The diversification of banks in Arab countries from retail banking towards provision of non-concessionary longer term finance. The workings of such institutions.

THE ARAB MONETARY FUND The development of this Abu Dhabi-based institution and its main purposes. Composition of its membership and the relative size of capital stakes.

ISLAMIC BANKING Recent rapid development of the concept and practice of banking according to the Islamic Sharia without charging interest. Rationale of Islamic banking.

In addition the Survey will include articles on banking systems, financial developments and economic prospects in the following countries:

**SAUDI ARABIA
KUWAIT
UNITED ARAB EMIRATES
BAHRAIN
QATAR
IRAQ
OMAN
ALGERIA
EGYPT
JORDAN
LEBANON
SUDAN**

For advertising rates for this survey please contact Laurette L. Lecomte-Peacock
Financial Times, Bracken House, 10 Cannon Street, London EC4A 3DF
Tel: 01-248 8000 Ext. 515

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

The content and publication dates of surveys in the Financial Times are subject to change at the discretion of the Editor.

LABOUR NEWS

Gormley faces new Scargill challenge

By Our Sheffield Correspondent

SHEFFIELD, June 18. LEFT-WING miners president Mr. Arthur Scargill, will block attempts to raise extra cash for the National Union of Mineworkers if its president Mr. Joe Gormley and his moderate majority on the executive again reject calls for the "democratisation" of the executive.

Mr. Scargill, who has clashed bitterly with Mr. Gormley in recent weeks, yesterday spelt out his ultimatum for the NUM annual conference in Torquay in three weeks.

"If they support our resolution for more democracy we will support their resolution for higher financial contributions to go to the national union," he said.

But if moves to get a more democratic voting system on the NUM national executive were again defeated, Mr. Gormley would have a better chance of "frying snowballs" than getting the extra cash the national union so badly needs.

The Yorkshire call for more democracy will be discussed at the conference before the resolution seeking a 50 per cent increase in weekly contributions. As changes of rule, both will require a two-thirds majority to go through.

Small areas

Yorkshire has the support of South Wales and possibly Scotland and other Left-wing coalfields, so Mr. Scargill could be able to stop the necessary majority being achieved.

Yorkshire's conference resolution says that if a show of hands vote on the executive is challenged, there should be a card vote, based on the size of the areas.

Mr. Scargill, who has been backed on this issue by Mr. Mick McGahey, of the Scottish miners, objects to small areas such as North Wales or Cumberland, having one vote on the NEC, even if they have fewer than 1,000 members, while Yorkshire with 66,000 members has only three votes.

Such a rule change would immediately guarantee a Left-wing majority on the executive.

Make more jobs, governments told by unions

BY CHRISTIAN TYLER, LABOUR EDITOR

LEADERS of trade unions in Western Europe and the U.S. have given warnings that workers will stop co-operating in raising productivity or rationalising industry unless governments act quickly and directly to increase job opportunities.

They say that unions will still demand increases in real wages for their members, and that, coupled with lack of output and productivity growth, will raise industrial costs.

The main revival of employment should come through a joint commitment to faster economic growth, but working hours will be necessary to combat the immediate jobs problem, the unions say.

These warnings, together with a strategy for regaining full employment, will be relayed to next month's Western economic summit meeting in Bonn.

The strategy is based on a document discussed by union leaders from Britain, Denmark, Sweden and the U.S. with Mr. Emili van Lennep, OECD secretary-general, and officials from OECD member-countries early this month.

It was submitted to last week's inconclusive meeting of OECD Ministers in Paris, and will be revived for the summit in the light of unions' disappointment at the failure of the 24 OECD Governments to set specific growth targets.

The unions also say that unless something is done urgently,

Drivers demand ballot inquiry

By Our Labour Correspondent

THREE HUNDRED Midland lorry driver members of the Transport and General Workers' Union yesterday called for an inquiry at national level into allegations of irregularities in union ballots involving Mr. Alan Law, the union's Midlands Trade Group secretary.

The allegations are now the subject of a police investigation.

The lorry drivers' 5/35 branch called for an inquiry into the organisation of three ballots last year, the subsequent division of the branch into four units and, specifically, the roles of Mr. Law and Mr. Brian Mathers, regional secretary.

It is alleged that Mr. Law failed to send individual ballot forms to members of 5/35 branch in an election for a place on the union's regional committee.

Clear message

The vote was not accepted, a re-run was ordered, and Mr. Law resigned his powerful position as unpaid secretary of 5/35 branch. The branch was then separated, giving it four secretaries.

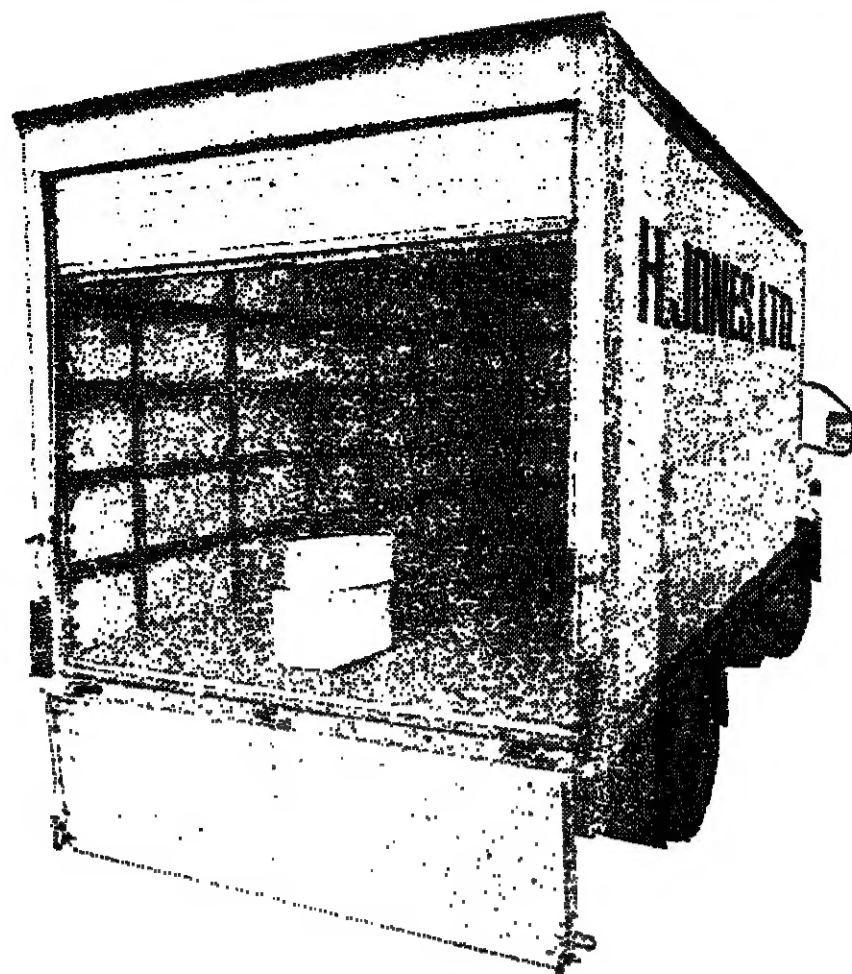
Mr. Dennis Mills, 5/35 co-ordinating committee chairman, announcing the resolution, said: "I cannot say whether it was a censure of Alan Law. It was a clear message to have a full inquiry so we know the full facts and can clear the air."

Mr. Law was not at the meeting yesterday because he was attending a Yorkshire miners gala.

He has denied the ballot-rigging allegations, saying that pressure of work made it impossible for office staff to send out all the ballot papers on time.

The resolution called for the proposed inquiry to be conducted by one national officer, one national committee member, and five lay members of 5/35 branch — their findings to be reported back to the branch and the union's national and regional committees.

It isn't always cheaper to do-it-yourself



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APPOINTMENTS

Planning director for Borthwick

Mr. Julian Sturgis has been appointed corporate planning director of THOMAS BORTHWICK AND SONS. Mr. Michael Cave has been appointed finance director, and is succeeded as company secretary by Mr. Michael Timothy.

Mr. Kenneth Ward has been appointed director of corporate relations for the RACAL ELECTRONICS GROUP. The new post takes account of Mr. Ward's increased corporate responsibilities, particularly in the UK and the U.S. In the U.S. he is appointed vice-president, corporate relations. He will continue with his existing responsibilities for publicity and public relations and he remains a director of Racal Group Services, Wokingham.

Mr. P. W. Bryant has been elected a director of BAKER PERKINS CHEMICAL MACHINERY. He retains responsibility for all manufacturing and engineering departments as general manager of the Stoke-based company.

PEAT, MARWICK, MITCHELL AND COMPANY announce that from October 1 Mr. C. M. Thompson will be admitted as a partner in the London office.

Mr. J. T. Griffiths has been appointed to the Board of THOMAS BORTHWICK AND SONS. Mr. Griffiths is chairman of Pye.

Mr. Rodney E. Lambert has been appointed to the Board of ARDEN SECURITIES.

Mr. E. P. Maccoll has been appointed a director of GILBERT BROTHERS DISCOUNT FUND MANAGEMENT. Mr. A. J. Norris has been appointed manager of the company.

Mr. J. B. Waterson has been appointed to the Board of DAWSON INTERNATIONAL.

Mr. Patrick Wrede has been appointed managing director of LAMCO PAPER SALES from August 1 1978. Mr. Wrede succeeds Mr. Jari Kihler who is leaving on that date.

Mr. E. R. Cox, Mr. A. P. Ealies and Mr. M. Garaway, executive directors of the company, have been appointed full Board members of RADYNE. These appointments follow the recent announcement of the acquisition by the Forward Technology Industries Group of the Radyne shareholding from Scientia SA.

the previous majority shareholders in the company.

The following appointments in HAWKER SIDDELEY companies have been made. Mr. G. Auton joins the Board of Hawker Siddeley Electric Africa (Pty) as a director and the Board of Hawker Siddeley Africa (Switchgear) (Pty) as managing director. He succeeds Mr. L. Seabrooke, who has resigned from those companies. Mr. Auton ceases to be a director of Hawker Siddeley Switchgear and Falcon Short Circuit Testing Laboratory, Loughborough. Mr. R. S. R. Amos has been appointed to the Board of Patter Refrigeration as sales director. Mr. A. W. A. Bishop has become a member of the Board of Gloster Saro.

Mr. J. Alan Thornton has been appointed an executive director of SCANTIVESTMENT SERVICES SA (SISSA), Geneva. He was previously an executive director responsible for the development of AmEx Bank's investment management operations. SISSA is an investment management company directly owned by Banque Scandinave en Suisse, Geneva, and Scandinavian Bank, London.

Mr. C. H. Sparborg has been appointed chairman of STAL Laval, the London subsidiary of

Stal Laval Turbin AB, of Sweden. Mr. Sparborg, an executive director of Hambros Bank, succeeds Professor I. Jung, who remains on the Board.

Mr. Simon L. Keswick and Mr. Hugh M. Priestley have been appointed directors of GREENFRAR INVESTMENT COMPANY, a member of the Henderson Administration management group.

Mr. G. Y. Elliott and Mr. J. D. Flouch have been appointed the first two directors of CEPEC, a new counselling service for industry set up by PA INTERNATIONAL. Sir Denis Barnes, former chairman of the Manpower Services Commission, has been nominated chairman of CEPEC's advisory council.

Mr. J. H. Serotson has been elected president of the INSTITUTE OF QUANTITY SURVEYORS for 1978-79. Mr. M. A. Wilkins is immediate past president, Mr. E. W. J. Ashford senior vice-president, and Mr. C. F. J. Webb and Mr. F. E. T. Spencer vice-presidents.

Mr. D. C. Small has been appointed deputy chairman of ROBERT WILSON AND SONS (1980) and has been succeeded as managing director by Mr. Douglas I. Macneil.

This advertisement appears as a matter of record only.

March 1978

The Ministry of Finance
of
The Kingdom of Thailand

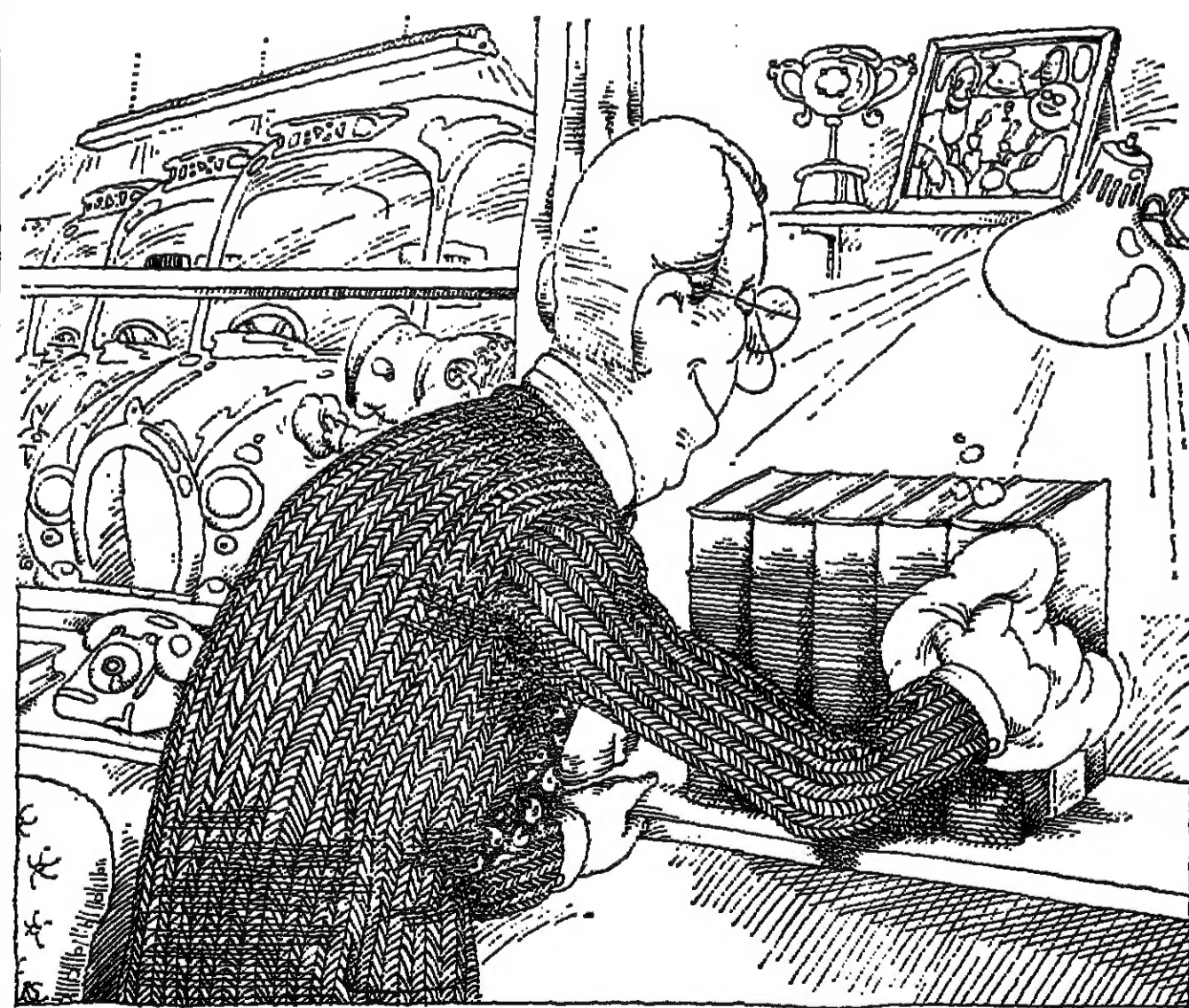
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It took taxi-fleet owner Stanley Perkins to discover yet another use for Dun & Bradstreet.

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Mr Stanley Perkins, Hampstead taxi-fleet owner, put us right. He ordered the Dun & Bradstreet Register—all five volumes plus Index—then stunned us by saying the contents didn't interest him. (Details of 200,000 companies plus credit ratings!) What he wanted was the sheer prestige and respectability that the books would lend to his offices: "My customers will be impressed no end."

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- Simplifying taxation for professional advisers.**
- Keeping your money working.** Effective debt collection, tracking down disappearing debtors.
- Educating tomorrow's credit managers.** Study Course for future credit controllers.
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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHÖETERS

COMMUNICATIONS

Cuts cost of telex

SIGNIFICANT COST saving machine's time is devoted to tape preparation instead of sending and receiving. With the Typewriter, all the operator's time spent keying in (and the machines so used) is eliminated. No errors can be introduced by the operator and time delays caused by messages being queued disappear. The machine code can be changed for computer or word processing applications. The Typewriter can be seen at the U.S. Trade Center in London from June 19-23. More information from TE division of CADC, 70-52 Akeman Street, Tring, Herts. 0442 82 4011.

COMPUTING

Acquires the data

PUT ON the market by Solartron-Schlumberger is the System 35 data acquisition equipment, controlled by a microprocessor and aimed at laboratory data gathering/processing, investigatory logging of modelled systems, strain gauging, stress analysis and manufacturing applications such as output monitoring, small scale automatic testing and quality control.

There are two units of hardware apart from peripherals such as keyboard terminals, printers and paper or magnetic tape devices. First of these, the 3510, is known as the integrated measurement unit and has principal tasks of scanning the transducer inputs measuring their values and digitising them. Normally, 84 channels can be examined, but the addition of slave units takes this up to 1024 if necessary. Transducer energisation is built in.

The other unit, the data acquisition system, takes the digitised data and stores complete records of test results for subsequent analysis. It provides outputs for a variety of display and printing devices and also alarm indications.

Solartron has developed its own interpretative logging software called BASIC IV, derived from DEC's BASIC, which permits measurement devices to be operated under computer control and the logging system to be completely automated.

Attacking the U.S. market

WITH THE formation of an American subsidiary with offices in New Jersey and San Francisco, the British company, Compel, which specialises in marketing software systems for a wide range of engineering and computer aided design applications, will offer a full range of products and services within the U.S.

As part of its North American drive the company will hold seminars and demonstrations in Montreal, Houston and San Francisco during this month. It is also taking part in the Natural Computing Conference in Los Angeles this week. Further from 0438 56122.

HANDLING

Better grip on loads

EASIER servicing is claimed for a redesigned range of hydraulically operated rotating clamp attachments for lift trucks, available from Hercules Hydraulics and used to handle cylindrical objects.

Opening gaps run from 254 mm (10 in) up to 1,650 mm (65 in)—and wider to order—and the steel piping to carry the hydraulic oil has been replaced with flexible rubber hose, which absorbs the high shock loading caused by poor floor or yard conditions.

With handling capacities of from 750 kg (1,650 lb) up to 3,500 kg (7,700 lb), the clamps will rotate through 180/360 degrees fixed or sideshifted, and can be supplied with higher capacities to order.

Hercules Hydraulics, Giltway, Giltbrook, Nottingham NG16 2GX. Kimberley 34321.

PROCESSES

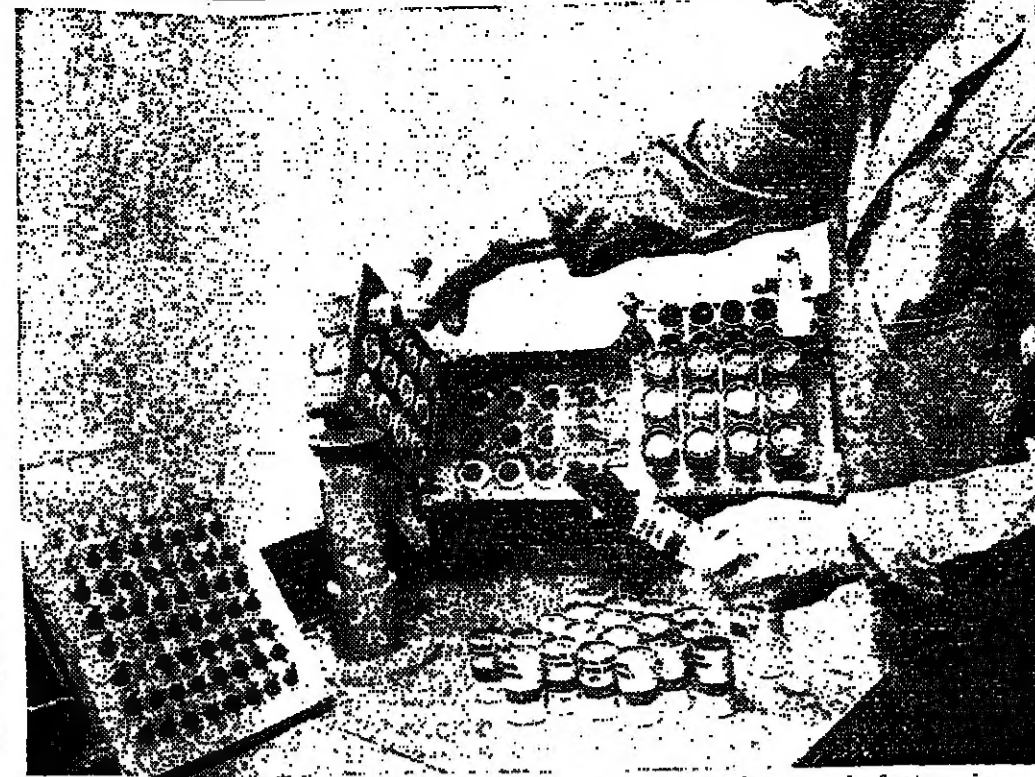
Copes with sharp bends

GENERAL DESCALING has introduced a new design of pig (cleaner) specifically for pipelines incorporating various pipe diameters, awkward bends and junctions, and other potentially troublesome geometry.

Particularly suitable for offshore use, "Spheripigs" are available for pipe diameters from six inches upwards. The largest built to date are 48 in diameter.

The unit consists of two polyurethane cups backed by faceted steel plates and mounted on a reduced diameter steel body. The backplates and the varied elastomer thicknesses ensure a controlled deformation of the cup peripheries to meet changes in bore and maintain an effective seal under all conditions of angularity and pipe deformation. The small diameter body, which in the larger sizes is made as a buoyant tube, enables the Spheripig to negotiate bends of 1:1 D radius.

The units can be supplied for any pigging duty, the appropriate brushes and other tools being fitted to the body. General Descaling is at Redford Road, Workop, Notts. SS0 2PY. Workop 324.



Instead of fireworks, marine and military pyrotechnic devices specially manufactured to avoid production of too much noise and smoke, will be used to provide an aerial display at the Aldershot Tattoo which opens today. Some of the devices are seen here being loaded into their

launchers at the Schermuly factory in Salisbury, Wilts. where they are made. In addition to these devices Schermuly handflares similar to those used by mariners and armed forces will be used to provide a colourful background.

PLASTICS

Polystyrene in many colours

AN ALTERNATIVE method for colouring expanded polystyrene has been announced by the EPS Association, the development having been made by one of its members, the Oxford Group. The material will be available to all moulders.

Details of the process are not disclosed by the Oxford companies involved, Bourne Polystyrene Mouldings of Sevenoaks and Foley Packaging of Abernethy. However, it is understood that the colourant penetrates the white stock heads "deeply" so that when the steam expansion process is applied a good degree of colour homogeneity is achieved.

In addition, a wide range of

standard colours can be offered — pink, pale amber, violet, orange, deep blue, pale blue, deep brown, yellow, red, grey, light green and NATO green. Others can be blended and the company will also provide material matched to house colours.

The difference in price between white and coloured moulded EPS is about 10 per cent.

Most applications are expected in packaging, but there are prospects that lined ceiling and wall tiles will appear on the market. Details from the EPS Association on 0444 57871.

Presses and extruders

SEMI-AUTOMATIC and fully automatic presses of new design for the compression moulding of thermosetting plastics are announced by Erfurt Machinery, Sheffield (W. E. Norton Group), following its recent appointment as sole sales and service agent for Gatti SPA, Italy.

Designated "PG" and "PG Robot", the presses have automatic programme control, and in addition, the latter incorporates a patented automatic pellet loading device. PG presses are rated up to 750 tons, while the "Robot" models are available up to 250 tons.

From the control panel, housed in a free-standing console, nine sequences for the upper piston and three for extraction can be programmed, allowing accurate control of the mould closing cycle, immediate or delayed degassing, selection of the polymerisation time, and extraction of the workpiece. Temperature of the heated platens can also be selected, and is accurate to within ± degrees C.

Three additional new machines, also for the plastics industry, are available from the same manufacturer. The first is a horizontal hydraulic extruder, "Model H" for casein, polyester and thermosetting resins. Vessels are available with extrusion powers from 100 to 300 tons. A pulverising die plate machine for the continuous production of extruded sections of thermosetting materials can also be supplied. Thirdly, a rolling machine is available for the button manufacturing industry which reduces plastic paste into ribbons of different colours, thicknesses and widths.

Details from Erfurt Machinery, Dore House Industrial Estate, Orgreave Close, Sheffield, S13 8XP. Telephone: 0742 697341.

CONFERENCES

One day on wind power

ON JULY 13, at the CEEB headquarters in Newgate Street, London, ECI, a one-day seminar is being organised by Multi-Science entitled "Wind Power in the United Kingdom." Several of the contributions will be from the academic world including Imperial College, Kingston Polytechnic and the Universities of St. Andrews and Reading. There will also be papers from the Cavendish Laboratories, the CEEB, Pye Telecommunications and the Department of Energy. Proceedings will be opened by the editor of "Wind Engineering." Seminar fee is £27 (including VAT) and further details can be obtained from Multi-Science at The Old Mill, Dorset Place, London E16 1DU. (01-634 4882).

MATERIALS

Lightweight partition

COMBINING two well-established products provides a lightweight partition for fire protection on offshore structures. Developed by Durasteel and Mandoval, the Durasteel 3DF2 non-asbestos partition with Marine Mandolite 25 spray applied to one side has been successfully tested in accordance with Solas A90 requirements by the Fire Research and Testing Organisation (FIRTO) at Borehamwood as well as in the far more severe conditions of a simulated fire at the Warminster Research Centre. The Durasteel partition is easy to erect on site and is followed by the spray application of Marine Mandolite. This combination offers an important saving in weight compared with a steel bulkhead and possesses stability, integrity and asbestos-free products are asbestos-free and present no known environmental health hazard either during or after application. Durasteel is on 0933 71188; Mandoval on 0990 25011.

ROADMAKING

Will plane concrete and asphalt

A SELF-PROPELLED planing machine capable of tackling both concrete and asphalt surfaces has been put on the market by Joad Engineering of Barkby Road, Leicester.

It is called the Superplane and is suitable for confined sites such as pedestrian precincts, town centres, playgrounds and car parks where such work would normally be a labour intensive operation involving the use of pneumatic or hydraulic hammers.

For cutting concrete, the machine is fitted with a drum allowing a maximum cutting width of 760mm (30in) and a depth of over 30mm (1 1/4in). For asphalt, a different drum is fitted with picks rather than the tungsten carbide tipped floating heads used on the concrete version.

To improve performance on asphalt, a bank of infra-red heaters can be attached to the front of the machine, hydraulic ally steered from the operator's console. In this configuration, the maximum cutting width and depth are 900mm (35 1/2in) and 50mm (2in) respectively.

QUARRYING

Drills holes for blasting operations

DESIGNED FOR use in quarrying and open cast mining operations is a crawler-mounted, self-propelled rotary blast hole drilling rig which is being introduced to the UK by Landy Central Trading Estate, Staines, Middx. (81 61231).

The rig is known as SK-25 and is manufactured by the Reed Tool Company. It has a pull-down capacity of 25,000 lbs and drills holes from 8 1/2 in to 14 in and up to 25 feet deep in a single pass in multiple pass depths of 50 feet to 75 feet, but can drill angle holes up to 25 degrees of vertical.

The machine is mounted on Caterpillar 250 crawler tracks, each equipped with its own independent, variable and reversible speed control for spot turning or for manoeuvring in confined locations. Drill levelling is by hydraulic jacks, one front and two at the rear.

TRENCHING

Less risk of collapse

A HYDRAULIC trench shoring system which is said to eliminate many of the dangers inherent in conventional screwjack and timber batten shoring methods has been brought to this country from Speed Shore of Houston, Texas, via Mechplant of York.

A constant threat to the construction worker is trench collapse and records show that many of the dangers inherent in trenching have been killed or seriously injured by a trench collapse. The Speed Shore system, called Speed Shore, comprises strong but lightweight units which take less than a minute each to install.

To improve performance on asphalt, a bank of infra-red heaters can be attached to the front of the machine, hydraulic ally steered from the operator's console. In this configuration, the maximum cutting width and depth are 900mm (35 1/2in) and 50mm (2in) respectively.

Kerridge

The Master Builders

BHF-BANK continues growth as one of Germany's leading Merchant Banks in 1977.

Highlights from the Consolidated Balance Sheet as at December 31, 1977

(in thousand DM)

Business volume	17,755,643
Total deposits	9,154,578
Volume of loans	8,529,087
Capital and Reserves	330,401
Balance sheet total	16,049,804

The complete Annual Report in German and summarized Annual Report in English and French are available on request.

Managing Partners:

Dr. Wolfgang Graebner, Herbert H. Jacobi, Dr. Hanns Christian Schroeder-Hohenwarth, Klaus Subjatzki, Rüdiger v. Tresckow

BHF-BANK had another successful year in 1977. All sectors achieved good results with international underwriting and commercial foreign banking heading the list.

Total assets grew to DM 16.05 billion as compared with DM 14.80 billion the previous year. Business volume advanced to DM 17.76 billion.

These figures reflect the success of the Bank's policy in recent years to broaden the geographical base of both domestic and international activities by establishing new facilities in major business and financial centers.

BHF-BANK's Luxembourg subsidiary recorded another good year and after its first year of operations, the New York branch also contributed to the overall results.

BHF-BANK
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HEAD OFFICE: BOULEVARD DE LA SEINE 10, D-5000 FRANKFURT 1, TEL: (0611) 7131 - NEW YORK BRANCH: 450 PARK AVENUE, TEL: (212) 758-9000 - BHF-BANK INTERNATIONAL, 85 GRAND RUE, LUXEMBOURG - BRUNNEN 45, INTERVALE 22, ZURICH - OFFICES: AMSTERDAM, NEW YORK, HONG KONG, SAO PAULO, SINGAPORE, TEHRAN, TOKYO.

CONTRACTS AND TENDERS

SUDAN RAILWAYS

STORES DEPARTMENT
CONTRACT NO. 5093
SUPPLY OF AUTOMATIC ALLIANCE COUPLERS
CONTRACT NO. 5114
SUPPLY OF 4000 (FOUR THOUSAND) ROLLER BEARINGS
CONTRACT NO. 5137
SUPPLY OF SIGNALLING MATERIALS FOR 25 NEW CROSSING STATIONS & RESIGNALING OF 14 STATIONS

"NOTICE"

1. Controller of Stores, Sudan Railways, Khartoum invites tenders for supply of the above.
2. Tenderers should quote for each tender separately and each offer should be put in a separate envelope.
3. Details, specification and drawings for each contract can be obtained from the Office of Controller of Stores, P.O. Box 65, Khartoum, Sudan, or from the Office of Stores representative at Khartoum. Telephone 74743 or by submitting a written application bearing 30m/m stamp duty and payment of Ls. 10,000/m for one copy of details, specification and drawings for Contract No. 5114, Ls. 10,000/m for one copy of details, specification and drawings for Contract No. 5137.
4. The closing dates fixed for acceptance of tenders in this office are as follows:
Contract No. 5093, Thursday 3rd August, 1978 at 12.00 hours noon.
Contract No. 5114, Thursday 3rd August, 1978 at 12.00 hours noon.
Contract No. 5137, Thursday 10th August, 1978 at 12.00 hours noon.
Documents are also sold at:
SUDAN GOVERNMENT PURCHASING AGENCY,
375 CLEVELAND ROW,
THE LANCES, LONDON, SW1A 1DD.
Rate: Ls. 1,000 m/m, £1.60.

OFFICE OF CONTROLLER OF STORES

Democratic and Popular Republic of Algeria

MINISTRE DES INDUSTRIES LEGERES
SOCIETE NATIONALE DES INDUSTRIES
DE LA CELLULOSE
INTERNATIONAL INVITATION TO TENDER
NOTICE OF EXTENSION OF TIME
Société Nationale des Industries de la Cellulose (SONIC) informs international companies and firms interested in the International Invitation to Tender which was launched at the beginning of February 1978 for the setting-up of a factory in Sedrata to produce cellulose and paper products that the date limit for sending tenders, formerly fixed for May 30, 1978, has been postponed to June 30, 1978.
Information from:
SONIC, 64 Rampe Ali Haddad, El-Mouradia, Algiers.
Tel: 66.38.00.01.04 - Telex: 52.933

CONTRACTS AND TENDERS

Rate £13.00
per single column centimetre
For further details contact:

FRANCIS PHILLIPS on 01-248 8000 Ext. 456

FIJI ELECTRICITY AUTHORITY

Monasavu Hydro-Electric Scheme Power Transmission Project Substations

The Fiji Electricity Authority (FEA) invites tenders from experienced contractors for the design, manufacture, delivery and erection on Viti Levu, the principal island of Fiji, of the following:

Contract 02/00 - Substations
The contract will cover 132KV outdoor switchgear and associated equipment for the Walla Walla Substation to be constructed near the centre of Viti Levu, the Vuda Terminal Substation near Lautoka and the Cuninghnam Terminal Substation near Suva, together with 33KV outdoor switchgear for the extension of an existing substation at Vuda and 33KV indoor switchgear at Cuninghnam.
Early completion is of the utmost importance and the equipment is required to be ready for commercial service by 30th June, 1980.
Tender documents will be available at the FEA's Office, 122, North Sydney, 2060, Australia, on payment of a deposit of \$A200 by cheque made payable to the Fiji Electricity Authority. Deposit documents are returnable on submission of a bona fide tender. Additional sets of the documents are available at a cost of \$A200 per set which is not refundable. Tender documents may be inspected on or after the above date at the FEA's offices, Lautoka, at the offices of Messrs McLellan, Ambrose, Killingsworth, Newcastle-upon-Tyne, England; Currier House, Warwick Road, London S.W.1; Sir Alexander Gibb and Partners Australia, Commerce House, Barton, or at the above offices.
Tenders will be officially opened at the offices of the FEA in Lautoka at 15.00 hours on 20th September, 1978.
A tender deposit of \$A20,000 will be required to be submitted by each tenderer with his tender.
The FEA reserves the right to waive any informality in tendering and to reject any or all of the tenders received.
The FEA has applied for a loan from the Asian Development Bank towards the foreign currency cost of the project and procurement under the contract will therefore be limited to member countries of the Asian Development Bank.
Further information regarding the above contract may be obtained from Messrs McLellan and Partners, North Sydney, Australia.

FIJI ELECTRICITY AUTHORITY

Monasavu Hydro-Electric Scheme Power Transmission Project

Transformers

The Fiji Electricity Authority (FEA) invites tenders from experienced contractors for the design, delivery and erection on Viti Levu, the principal island of Fiji, of the following:

Contract 01/00 - Transformers
The contract will cover 2 x 25 MVA 132/11 KV Transformers at Walla Walla Power Station, to be constructed near the centre of Viti Levu, 2 x 60 MVA 132/33 KV Transformers at Cuninghnam Terminal Sub-Station near Suva, together with miscellaneous auxiliary transformers.
Early completion of the Terminal Sub-Stations is of the utmost importance and these are required to be ready for commercial service by 30th June, 1980.
The Walla Walla Power Station is to be commissioned in October, 1981.
Tender documents will be available on or after 20th June, 1978 from Messrs McLellan and Partners, 122, North Sydney, 2060, Australia, on payment of a deposit of \$A200 by cheque made payable to the Fiji Electricity Authority. Deposit documents are returnable on submission of a bona fide tender. Additional sets of the documents are available at a cost of \$A200 per set which is not refundable. Tender documents may be inspected on or after the above date at the FEA's offices, Lautoka, at the offices of Messrs McLellan, Ambrose, Killingsworth, Newcastle-upon-Tyne, England; Currier House, Warwick Road, London S.W.1; Sir Alexander Gibb and Partners Australia, Commerce House, Barton, A.C.T., or at the above offices.
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Building and Civil Engineering

Drainage and sewage treatment Rush and Tompkins busy

THE CONTRACT for the first stage of the main drainage and sewage works at Al Ain in the United Arab Emirates, has been awarded to Keang Nam Enterprises, of Seoul, Korea. The tender figure is understood to be around £22m.

This scheme, designed by D. Balfour and Sons, is for a population of 105,000 and an average daily flow of 27,000 cubic metres. The final effluent will be treated to a standard suitable for irrigation re-use.

Electrical and mechanical plant for the project is to be supplied by Ames Crosta Babcock of Heywood, Lancs.

Back in the UK, D. Balfour and Sons has been commissioned by the North West Water Authority to implement a feasibility study into the sewage disposal facilities at Great Yarmouth and its environs.

An interim report recommends detailed consideration to be given to a long submarine outfall and a sewage treatment works sited north of the town.

The report recommends investigations to prove the feasibility of the marine discharge, which is complicated by the Middle Scaresby sandbank 3 km offshore.

The existing sewage treatment works at Caister-on-Sea, which has only a limited life, deals with 30 per cent of the sewage from the study area, the remainder discharges, mainly untreated, to the tidal region of the River Yare.

The enormous amounts of fresh water flowing through the of the Anglian Water Authority from the inland lake, to implement a feasibility study into the sewage disposal facilities at Great Yarmouth and its environs.

water to a level which would not normally be expected with such large quantities of crude sewage being discharged, says Balfour.

The study is being carried out in co-operation with the Great Yarmouth Borough Council, which, acting as sewerage agent to the Anglian Water Authority, is currently effecting major improvements to the sewerage system.

D. Balfour and Sons will also work in liaison with Rendel, Palmer and Tritton, who, as consultants to the Norfolk and Suffolk River District of the Anglian Water Authority, are engaged in a flood control study of the Yare Basin.

Balfour expects to submit its final report later this year.

£7m Wimpey awards

ALUMINA CONTRACTORS has awarded a site grading contract worth £5m to George Wimpey who in turn has signed an agreement for a joint venture operation with P. J. Hegarty and Sons of Cork, the partnership to be known as Wimpey-Hegarty.

The contract is the first to be awarded for the £287m Anglo-Irish alumina extraction plant on the Shannon Estuary, near Foynes, Co. Limerick. It includes site clearance, grading and the removal of

Kier gets road job

EAST SUSSEX County Council has awarded a contract worth £14m to Kier (RRL) for the construction of part of the Folkestone/Honiton trunk road at Bexhill.

Work comprises 11 kilometres of dual carriageway, a single 17-metre span precast concrete bridge over Chantry Lane, two concrete footbridges at Lychna Close and Hastings Road, a pedestrian subway under the main carriageway at Barrack Road, and about 1 kilometre of retaining walls in concrete with Gabion road faced finish.

The contract will take approximately two years to complete.

£5½m services contracts

HADEN YOUNG is to install heating, air conditioning and electrical services in the building which will house the Burrell Collection on the Pollok Estate, Glasgow.

Taylor Woodrow Construction (Scotland) which is constructing the £10.4m building has awarded the £5m contract to the company whose expertise promises to maintain precise humidity and temperature controls, together with necessary filtration measures against pollution, etc., to pre-empt the £40m collection which was left to the nation by the late shipping magnate, Sir William Burrell.

£1m store for Boots

HIGGS AND HILL Building has been awarded a contract worth nearly £1m to construct a store for Boots at King Street, Ilamersmith, London.

PLANT & MACHINERY SALES

100 TON CAPACITY COINING PRESS by Taylor and Challen—virtually unused—fully automatic—16.5 m x 24 mm stroke.

IN LINE MACHINE for simultaneous surface milling both sides of continuous and semi-continuous cast non-ferrous strip up to 16" wide.

9 DIE, 1750 FT/MIN SLIP TYPE ROD DRAWING MACHINE equipped with 3 speed 2000 hp drive, 20" horizontal draw blocks, 22" vertical collecting block and 1000 lb spooler. (Max. Inlet 9 mm finishing down to 0.6 mm copper and aluminium.)

8 BLOCK (400) IN LINE, NONSLIP WIRE DRAWING MACHINE in excellent condition 0/2000ft/min, variable speed 10 hp per block (1968).

24" DIAMETER HORIZONTAL BULL BLOCK By Farmer Norton (1972).

SLITTING LINE 500 mm x 3 mm x 3 ton capacity TWO VARIABLE SPEED FOUR HIGH ROLLING MILLS Ex 6.50" wide razor blade strip production.

MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.

1974 FULLY AUTOMATED COLD SAW by Noble & Lund with batch control.

1970 CUT-TO-LENGTH LINE max. capacity 1000 mm 2 mm x 7 tonne coil fully overhauled and in excellent condition.

1965 TREBLE DRAFT GRAVITY WIRE DRAWING MACHINE by Farmer Norton 27"–29"–31" diameter drawblocks.

STRIP FLATTEN AND CUT-TO-LENGTH LINE by A. R. M. Max capacity 750 mm x 3 mm.

6 BLOCK WIRE DRAWING MACHINE equipped with 22" dia x 25 hp drawblocks.

2 15 DIE M4 WIRE DRAWING MACHINES, 5000ft/min, with spoolers by Marshall Richards.

3 CWT HASSEY FORGING HAMMER—pneumatic single blow.

9 ROLL FLATTENING MACHINE 1700 mm wide.

7 ROLL FLATTENING MACHINE 965 mm wide.

COLES MOBILE YARD-CRANE 6-ton capacity 14m high.

RWF TWO STRIP AND WIRE FLATTENING AND STRIP ROLLING LINE 10" x 8" rolls x 75 hp per roll stand. Complete with edging rolls, turks head flaking and fixed recoller, air gauging, etc. Variable line speed 0/750 ft/min, and 0/1500 ft/min.

NARROW STRIP STRAIGHTENING AND CUT-TO-LENGTH MACHINE (1973) by Thompson and Munroe.

BAR PEELER — 4 CENTRELESS. Reconditioned BENDING ROLLS 8" x 1". Excellent.

CONOMATIC 6 SPINDLE AUTOMATIC. Fully reconditioned, will turn and index to maker's limit.

SCHULER 200 TON HIGH SPEED BLANKING PRESS. Bed 48" x 40" 200 spn. Double roll feed stroke 35 mm, excellent condition.

TAYLOR & CHALLENGE NO. 6 DOUBLE ACTION DEEP DRAWING PRESS. Condition as new.

ICKERS 200 TON POWER PRESS. Bed 40" x 36". Stroke 8". NEW COND.

4 MACHINE CENTRE. Capacity 5ft x 4ft x 3ft 5in Axes continuous path 51 automatic tool changes, 5 tons main table load. Main motor 27 hp. Had less than one year's use and in almost new condition. For sale at one third of new price.

MICKMAN 21 SP AUTOMATICS 1961 and 1963. EXCELLENT CONDITION.

1000 TON HYDRAULIC PRESS. Upstroke between columns 92" x 52" daylight 51". Stroke 30".

COLD HEADERS BY NATIONAL 1" and 2" DSSD EXCELLENT.

INKERWERK 400 TON INJECTION MOULDER. Reconditioned.

WANTED

MODERN USED ROLLING MILLS, wire rod and tube drawing plant—roll forming machines—slitting—flattening and cut-to-length lines—cold saws—presses—guillotines, etc.

Over £9m for Douglas

UNDER CONTRACTS totalling over £9m awarded to the Douglas Group, R. M. Douglas Construction has been awarded £8.5m, of which £5.8m is for industrial projects. Additionally R. M. Douglas Roofing has metal deck roofing and wall cladding contracts totalling £2.5m.

Work already commenced by the construction company includes foundations for a steel mill conversion at Port Talbot for the British Steel Corporation; a warehouse extension at Prud-

Keeping all amenities in step

PLANNING a new city of 250,000 inhabitants where constraints on the type of dwellings, access systems, industries and other aspects allowed are severe, is no mean task. Add to that the problems inherent in working on land reclaimed from the sea as part of the Zuyder Zee project and the task takes on fresh complexities.

The Lake IJssel Polder Development Authority is responsible for the physical planning of the 250,000-inhabitant Almere city and the 100,000-inhabitant Leyland, both close to Amsterdam and both barred to development as overspill or dormitory areas for Amsterdam.

Though the two centres will not reach their projected population totals till the year 2000, the development lines have been fixed to provide work, recreation facilities, nature reserves, services, schools and shopping centres, as well as houses, keeping the whole in step so that there does not arise—as has been the case in too many instances in Britain—a situation where there is housing, but precious little else.

Co-ordination is an immense task to carry out manually and the authority for some time has been making use of the PROPLAN approach, available on the Cybernet services of Control Data.

This allows planners to carry out time, resource and cost analyses of projects which encompass up to 8,000 activities and 12,000 relationships. Important is that the program suite enables a planner to see very quickly the relationships among dependent activities so that, for instance, if a major road scheme has to be changed, all the other work affected will be pinpointed at once and the extent to which it is being influenced by the alterations.

Such work is difficult if not impossible to do manually when such big projects are under way.

From the master file manipu-

lated by PROPLAN, a large variety of simple language reports can be generated on demand and fit the planners' requirements very closely. Speed of reaction of the system is a most important factor and it cannot forget a detail.

More information on the project and the program suite from Control Data, 153 East Barnet Road, East Barnet, Herts. 01-440 5161.

Work in Ghana and Manchester

FOUNDATIONS and superstructure of the grinding mill at the Ghana Cement Works, Tema, are to be constructed by Taysee Construction, a Ghanaian company in the Taysee Woodrow Group. Value of the contract is £380,000.

Construction is scheduled to take 11 months and consists partially of structural steel and partially reinforced concrete frames. Engineers for the project are Gowling & Acre, and the quantity surveyors are G. A. Takyi and Partners of Accra.

The new mill is the second contract for Taysee at the Ghana Cement Works. The first was for a clinker storage shed.

At home, in Manchester, Taylor Woodrow has won a £900,000 contract for a housing development from the Northern Counties (Grainford) Housing Society. Construction of the 60 dwellings in six three-storey blocks will take 18 months.

Architects are John Gaston Associates, consulting engineers are E. J. Griffin Associates and quantity surveyors are Markham Millard and Partners.

Offices in London

DEMOLITION and rebuilding work at 88-90 Chancery Lane, London WC2 is to be undertaken by Wiltshires under a £1.6m contract.

Apart from rebuilding part of the existing premises, a considerable amount of refurbishment is called for to provide office accommodation. The work is being carried out for St. Martin's Property Corporation. Architects are The J. Seymour Harris Partnership.

Two shopping centres

UNDER CONSTRUCTION in Warrington and Kidderminster are two new shopping centres costing £3m and £1.1m respectively.

The Warrington Development Corporation's shopping complex, the £3m Birchwood Centre, is situated on 165 acre site in the angle of the M6 and the Manchester-Liverpool railway line, and will not only serve North-East Warrington's expanding population but is expected to attract shops from a wider area because of its easy accessibility to the M6 and M62 motorways.

Largest store—of over 108,000 square feet—has been pre-let to Fine Fare who will also operate a petrol filling station.

A shopping precinct between Vicar Street and Worcester Street in the market town of Kidderminster, south west of Birmingham, has been designed to blend in with the character of the existing town centre. John Laing, Midland Region, has won the £1.1m contract for its development.

This complex comprises 21 shop units ranging in size from 250 to 6,000 square feet. Four of the shops will face on to Vicar Street whilst 17 face a shopping way leading to an open square in Worcester Street. Part of the project includes an extension to the existing Marks and Spencer store which will face on to the square.

The structure will be of reinforced in situ concrete with concrete slab floors at ground level and hollow-poor floors with reinforced concrete column bases at upper levels.

First order for Gulf steel plant

THE FIRST order for steelwork has been placed with Cleveland Bridge and Engineering Middle East which has just begun operations in the new industrial area of Jebel Ali on the Gulf coast.

This order for 4,500 tonnes for the Plaza Development in Cairo, has come much to the company's delight, close to the official opening of the factory yesterday by The Ruler of Dubai, Sheikh Rashid bin Said Al Maktoum.

In its first year, the automated steel fabrication plant will handle about 12,000 tons of steel.

From the Jebel Ali base, Cleveland Bridge is currently engaged in erection of the steelwork for the Galadari Coniche project (the largest private enterprise scheme in the United Arab Emirates), the Dubai aluminium smelters, the steelwork for the roof of the Intercontinental Hotel in Sharjah and the steelwork for the Sheraton Hotel in Bahrain.

Cleveland Bridge and Engineering Middle East is a partnership of Cleveland Bridge and Abdul Wahab Galadari, the prominent Middle East entrepreneur.

Airport work

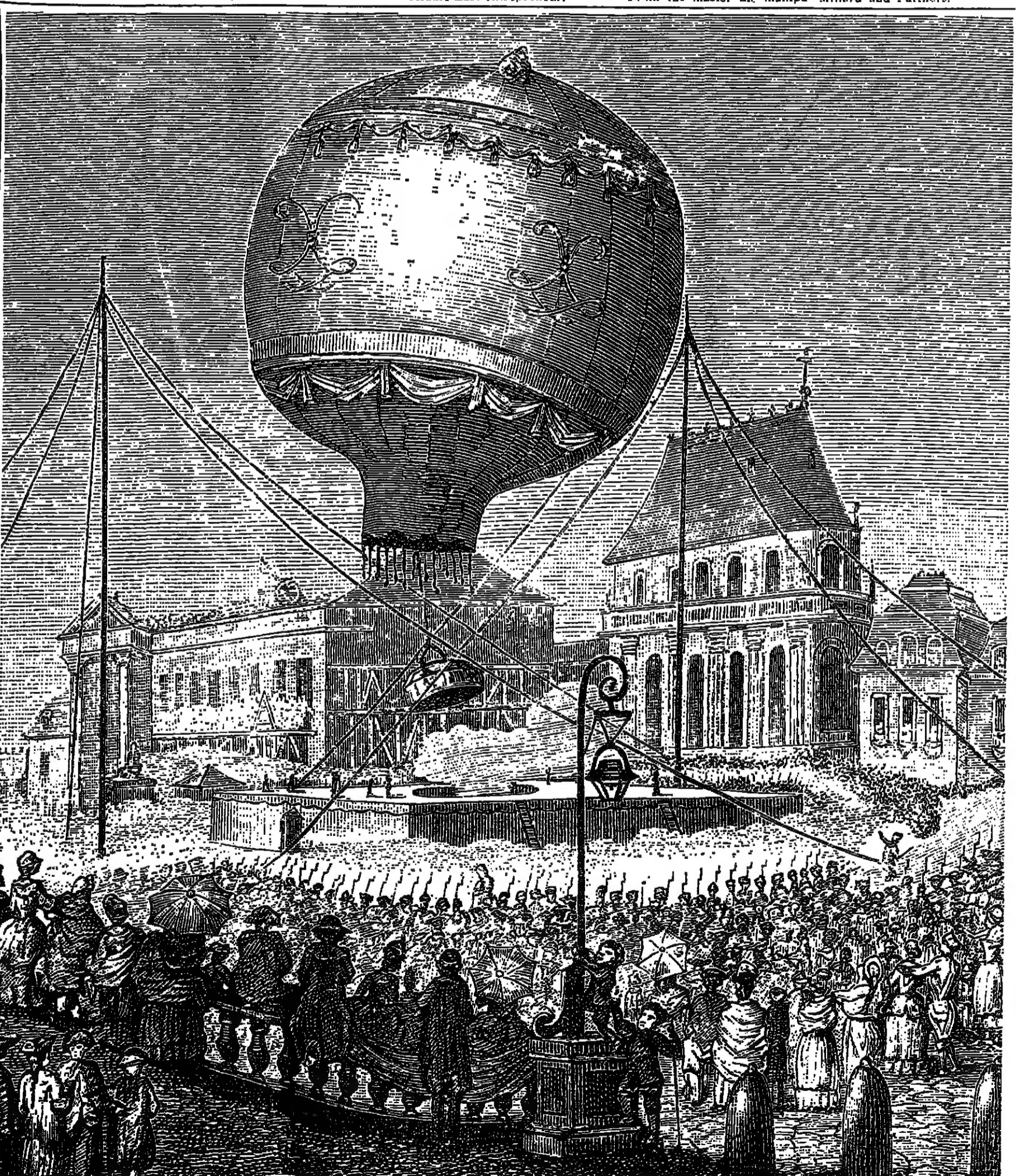
THE TOTAL of recent contracts awarded to Wiltshires' Building Division is over £800,000, which includes two contracts worth over £400,000 from British Airways.

Erection of offices and security cages in the cargo centre at Heathrow is scheduled for completion by the end of this year and covers part of the British Airways deal. Other work at the airport is primarily for alterations and additions in the agents' bond facility area of the import terminal.

Other awards include work for Western Synagogue Trustees, Siemens, Department of the Environment, the Home Office and Agfa-Gevaert.

IN BRIEF

- Among contracts worth more than £1.5m won by Wrekin Construction is a £817,000 town centre relief road for Congleton, placed by Cheshire County Council.
- One of the most important leisure developments in the Highlands since the completion of the Aviemore Centre, is being constructed under contract worth about £1m by William Tawse.
- John Howard and Co., has been awarded a contract valued at £295,000 by Harbour Developments for the extension of No. 5 berth at Harwich Docks.
- Contracts worth about £226,000 have been won by FPA Finnegan, the main building subsidiary of Sheffield-based FPA Construction Group.
- Export contracts totalling over £4m have been secured by the Hydrojet Division of A. Long and Co., for the supply of purpose-built high pressure water jetting equipment to the Middle East.
- Wellerman, Brothers of Sheffield has received a £65,000 sub-contract from Gateshead Metropolitan Borough Council to supply steel sheet and bearing piles for a project to drain 100 acres of land to be subsequently developed as an industrial area.
- Nuneaton District Council has awarded a contract valued at about £140,000 to Corral Construction for ten nursery factory units under Phase I of a new industrial development at Attleborough Fields.
- Marking the end of the first stage in the Tyne-side Sewerage Scheme is the Northumbrian Water Authority's £383,000 contract awarded to Stepanov Contractors for work involving the diversion of flow from sewers (currently pouring untreated sewage into the Tyne), to the new South Bank and South Shields Interceptor Sewers. The new sewers have cost £7.5m and when operational will intercept some 10m gallons a day of untreated sewage and transfer it to the newly completed treatment works at Jarrow.
- Costain Renovations has been awarded a £400,000 contract by the London Borough of Camden for extensive renovations to Cecil Rhodes House and the Chenies in Goldington Street, London, NW1.



Before the Montgolfiers had lift off Trollope and Colls were launched.

Trollope & Colls
City Builders
for 200 years
1778-1978

the sinews
of industry
CRENDON
precast concrete
structures
CRENDON CONCRETE CO. LTD.
Thames Rd., Long Crendon
Aylesbury, Bucks. HP18 9BB
Tel. Long Crendon 208481

البناء والهندسة المدنية

The List of Applications will open at 10 a.m. on Wednesday 21st June, 1978, and close on the same day.
This issue is made in accordance with a General Consent given by the Treasury under the Control of Foreign Exchange Order 1977.
Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.



SOUTHEND-ON-SEA BOROUGH COUNCIL

Issue of
£7,000,000 Borough of Southend-on-Sea
12 per cent. Redeemable Stock 1987

Authorised by the Council of the Borough of Southend-on-Sea and issued in accordance with the Local Government Act 1972 and the Local Authority (Stocks and Bonds) Regulations 1974.

PRICE OF ISSUE £98½ per cent.

On Application	£10 per cent.
On 25th July, 1978	£25 per cent.
On 12th October, 1978	£53½ per cent.

£98½ per cent.

Interest (less income tax) will be payable half-yearly on 26th May and 26th November. A first interest payment of £2,782.8 (less income tax) per £100 Stock will be made on 26th November, 1978. The Stock is an unlisted security within Part II of the First Schedule to the Trustee Investments Act 1961.

Barclays Bank (London and International) Limited, New Issues Department, P.O. Box 123, 2, London Wall Buildings, London Wall, London, EC2P 2BU, are authorised by the Southend-on-Sea Borough Council to receive applications for the above amount of Stock in accordance with Resolutions passed by the Council on 24th November, 1977.

1. **SECURITY**—The Stock and interest thereon will be secured upon all the assets of the Council. The Stock will rank equally with all securities issued by the Council.
2. **PROVISION FOR REPAYMENT OF LOANS**—The Council is required by Acts of Parliament to make annual provision towards redemption of loans raised for capital expenditure. Such provision is made in the accounts of the Council as may be required by the Secretary of State for the Environment.

3. **PURPOSE OF ISSUE**—The proceeds of the issue will be applied to replace moneys temporarily loaned to meet authorised capital expenditure, to replace maturing mortgage debt, to finance further capital expenditure, to make loans to other local authorities nominated under Paragraph 13 of Schedule 13 of the Local Government Act 1972, and to make such other payments as may be required by the Council.

4. **REDEMPTION OF STOCK**—The Stock will be redeemed at par on 26th May, 1987, unless provision is made by the Council to redeem it earlier.

5. **REGISTRATION**—The Stock when fully paid will be registered and transferable free of charge in amounts and multiples of one penny by instrument in writing in accordance with the Stock Transfer Act 1963. The Register of the Stock will be kept at the offices of the Borough Treasurer, P.O. Box 2, Civic Centre, Victoria Avenue, Southend-on-Sea, SS2 6EP.

6. **INTEREST**—Interest (less income tax) will be paid half-yearly on 26th May and 26th November by warrant, which will be sent to the Stockholder's name in the law of the Court of the warrant will be forwarded to the person first named in the account unless instructions to the contrary are given in writing. The first payment of interest on the Stock will be made on 26th November, 1978 by warrant in the usual way.

7. **APPLICATIONS AND GENERAL ARRANGEMENTS**—Applications must be made on the provided form, accompanied by a deposit of 10 per cent. of the nominal amount applied for, and be received at Barclays Bank (London and International) Limited, New Issues Department, P.O. Box 123, 2, London Wall Buildings, London, EC2P 2BU, or at any branch of the Bank.

Applications must be for a minimum of £100 Stock or in multiples of £100 for applications up to £2,000 Stock.

Larger applications must be made in accordance with the following scale: Applications above £2,000 Stock and not exceeding £5,000 Stock in multiples of £500. Applications above £5,000 Stock and not exceeding £20,000 Stock in multiples of £1,000. Applications above £20,000 Stock in multiples of £2,000.

A separate cheque drawn on a Bank in and payable to the United Kingdom must accompany each application form. No application will be considered unless this condition is fulfilled.

In the event of a partial allotment, the surplus from the amount paid as deposit will be returned to the applicant by cheque. If no allotment is made the deposit will be returned to the applicant by cheque. If no allotment is made the deposit will be returned to the applicant by cheque. If no allotment is made the deposit will be returned to the applicant by cheque.

Each applicant to whom an allotment of Stock is made will be sent a renunciation of the right to the allotment, which must be produced when the allotment is made.

Letters of Allotment which may be sent up to 3 p.m. on 15th October, 1978, will contain forms of renunciation which will be available up to 3 p.m. on 26th October, 1978. On payment of the instalment due on 26th July, 1978, the Letter of Allotment will be sent to the holder. When payment in full is made, the Letter of Allotment will be sent to the holder. When payment in full is made, the Letter of Allotment will be sent to the holder.

Partly paid Letters of Allotment will be sent to the holder in multiples of £100 Stock, but only fully paid Letters of Allotment will be sent to the holder in multiples of £100 Stock.

No Letters of Allotment will be sent unless all instalments due have been paid.

The Stock Certificate will be despatched by ordinary post at the risk of the applicant. The Stock Certificate will be despatched by ordinary post at the risk of the applicant.

A Commission of 12½ per cent of £100 Stock will be allowed to recognised bankers and stockbrokers on allotments made in respect of applications bearing stamp duty. This commission will not be paid in respect of an application which arises out of an underwriting commitment.

8. **STATISTICS**—Returns to the Borough of Southend-on-Sea: Population (1977) 103,300. Rateable value (1977) £13,782,833. Product of rate of 10 in the £ (1977) £13,782,833.

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This week in Parliament

TODAY

COMMONS—Debate on Royal Navy, Domestic Proceedings and Magistrates Courts Bill, Lords amendments. Co-operative Development Agency Bill, consideration on return from Lords.

LORDS—Debate on unemployment. Short debate on Hare Coursing Bill.

SELECT COMMITTEES—Expenditure, Education, Arts and Home Office sub-committee. Subject: Prison system. Witnesses: Home Office, Scottish Office. 4.15 p.m. Room 6.

TOMORROW

COMMONS—Northern Ireland orders, including ones on education, pollution and planning.

LORDS—Electricity Bill, second reading. National Health Service Bill, second reading. Scotland Bill, report stage. Final day. Protection of Children Bill.

WEDNESDAY
COMMONS—Debate on housing. Parliamentary Pensions Bill, second reading.

LORDS—Wales Bill, committee stage. Theatres Trust Bill, committee stage. Nuclear Safe-

guards and Electricity (Finance) Bill, committee stage.

SELECT COMMITTEES—Expenditure, Trade and Industry sub-committee. Subject: Measures to prevent collisions of noxious cargo carriers. Witnesses: General Council of British Shipping, British Ship Repair Association. 10.30 a.m. Room 16.

Nationalised Industries sub-committee B Subject: Future of electricity supply industry. Witnesses: Mr. Anthony Wedgwood Benn, Energy Secretary. 10.45 a.m. Room 8.

Public Accounts Committee. Subject: Appropriation accounts 1977/77. Trading account. Witnesses: Scottish Development Agency, Scottish Economic Planning Dept., Forestry Commission. At a time to be set, after 4 p.m. Room 16.

Parliamentary Commissioner for Administration. Subject: Ombudsman (review of access and jurisdiction). Witnesses: Prof. R. G. Gregory, University of Reading, Mr. D. W. Williams, University of Manchester. 5 p.m. Room 7.

THURSDAY
COMMONS—Debate on "mis-

management of Scotland's oil." Debate on need for balanced economic order for Wales. General Practice Finance Corporation (increase of borrowing powers) order.

LORDS—Adoption Bill, second reading. Wales Bill, committee stage. Consumer Safety Bill, second reading. Home Purchase Assistance and Housing Corporation Guarantee Bill, committee stage.

SELECT COMMITTEES—European Legislation, sub-committee 1. Subject: Sheepmeat marketing. Witnesses: National Farmers' Union, Consumers' Association. 10.30 a.m. Room 15.

Race Relations and Immigration. Subject: Effects of EEC membership on race relations and immigration. Witness: Mr. D. Lane. 4.30 p.m. Room 6.

FRIDAY
COMMONS—Transport Bill, remaining stages. Iron and Steel (Amend.) Bill, remaining stages. EEC documents on European foundation and cultural sector.

LORDS—Wales Bill, committee stage (unless completed the previous day).

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not available whether dividends concerned are interim or final. The sub-divisions below are based mainly on last year's timetable.

COMPANY MEETINGS
TODAY
Bishopsgate Trust, 41, Bishopsgate E.C.2. 4.45 p.m.
Crestal (Int'l) Goldsmiths' Hall, Foster Lane E.C.2. 12.15 p.m.
Eaton (Int'l) Goldsmiths' Hall, Foster Lane E.C.2. 12.15 p.m.
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The Stock Certificate will be despatched by ordinary post at the risk of the applicant. The Stock Certificate will be despatched by ordinary post at the risk of the applicant.

A Commission of 12½ per cent of £100 Stock will be allowed to recognised bankers and stockbrokers on allotments made in respect of applications bearing stamp duty. This commission will not be paid in respect of an application which arises out of an underwriting commitment.

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The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

How managers are struggling to make themselves heard

THAT MANAGERS and professional staff are now the biggest growth area for trade unions could be seen as evidence of what appears to be a widely held view—today's manager is a pretty disconsolate beast.

But managers have not just been throwing in their lot with the established TUC unions—ASTMS is the obvious example—and TASS and APEX as well. There has also been a swelling in the ranks of non-affiliated unions such as the UK Association of Professional Engineers (UKAPE). Perhaps most interesting has been the growth of managers' associations, often sneeringly referred to as "sweetheart unions," or worse, by their bigger TUC brothers.

What is clear is that more and more managers are departing from their traditional individualist roles and are seeking the strength of collective representation.

Dilemma

The dilemma facing managers is complex. It is not just a question of whether they should join a union or a managers' association, but whether their interests are best represented within the TUC orbit or elsewhere. The trouble is that the elsewhere is practically nowhere.

There are some signs that alternative groupings are struggling to make their voices heard. In January this year for instance, the British Medical Association formed the MPSLG (Management and Professional Staffs Liaison Group) when doctors making representations to the Government were told that they were not speaking on behalf of very many people. The MPSLG is a fairly loosely knit framework and includes the National Unilever Managers' Association (NUMA), the British Dental Association, the Confederation of Employee Organisations, and the Association of Professional Scientists and Technologists.

Another, and a darker horse altogether, is the British Institute of Management. One thought which has recently gained some favour within the corridors of the BIM's Management House is for a link-up with the management associations, with the BIM acting as an umbrella organisation.

All negotiations and representations at a company level would continue to be conducted by the individual associations,

but the BIM would make national representations on their behalf to government. The appeal to the BIM is obviously enormous because of the gains it could make in both membership and political authority. For the management associations, there would be the strength of the BIM's established reputation.

But the BIM would have to overcome considerable resistance, both internal and external if it were to undertake such a radical step.

Many of these issues were very much in evidence last month, when over 200 managers from industry gathered at a conference organised by the Institution of Works Managers to discuss their problems and to compare the relative merits of trade unions and management associations.

There was broad agreement as to why managers were seeking collective representation. As Chris Hayward-Jones, general secretary of the Shipbuilding and Allied Industries Management Association (SAIMA) told the conference: "Over a period of years, as a result of government incomes policies and shop-floor trade union pressures for single status, managers in shipbuilding, as elsewhere, have experienced a progressive erosion of differentials between themselves and their subordinates."

"The spread of collective bargaining and the increasing power of the trade unions has brought about a steady diminution of the status and authority of middle managers who, as an unorganised body, frequently found themselves bypassed in the negotiating and consultative process and having to implement decisions which they themselves have had no power to influence."

Where the managers at the conference were not so unanimous in their opinions was on the type of organisation which would be best for them to join in order to gain effective representation.

Chris Hayward-Jones explained why managers in the shipbuilding industry had chosen to form their own managers' association in preference to joining an established, and already recognised, union.

By being in the same union as their subordinates, he said, managers could face difficulties in their working relationships, especially if there were a conflict between unions and the employer. He pointed out that a manager held a dual role—as an employee and as an agent of

the employer. In addition, many managers belonged to professional bodies and had to comply with ethical rules; they feared they could be called upon by their union to take part in action "which they might consider to be at variance with their managerial or professional obligation."

Frank Morley, vice-chairman of the National Unilever Managers Association, noted a similar trend in the private sector and pointed out that virtually all large companies had shown a tendency to drift towards bureaucracy and standardisation. "It is almost with reluctance that managers have recognised this, as the implications are frustrating to the individualism which most managers cherish."

Another example at the conference of managerial frustration was the extent to which legislation supported trade unions and eroded the standing of individual managers.

The Shipbuilding Managers thought that none of the 13 CSEU unions in their industry were suitable to represent managers across the whole range of functions, as they were all largely craft unions. "We felt it to be vital that managers across the industry, irrespective of their individual function, should have common interests which override functional boundaries, and should be represented by a single organisation which would coherently express their collective point of view."

Influence

The managers were not attracted to a trade union which was affiliated to a political party "or was run by extremists," he said.

Hayward-Jones also pointed out that managers would have little influence on any of the CSEU unions, if they joined. The unions would be predominantly composed of non-managerial staffs, whose interests differ from those of managers—and since they were in the majority, they would prevail.

SAIMA was formed in 1975 and in December last year joined John Lyons' Engineers' and Managers' Association (EMA), which is affiliated to the TUC. Although SAIMA boasts 70 per cent membership among managers, it is struggling for recognition by British Shipbuilders against stiff opposition from the might of CSEU.

The shipbuilders' management association was organised

along very similar lines to the Steel Industry Management Association, which represents over 12,000 middle and senior managers in the British Steel Corporation. It was the general secretary of SAIMA, Robert Muir, who provided the conference with what to some was the unpalatable fact that single industry management associations are faced with a credibility problem.

"We are quite clearly a trade union of managers," he emphasised, going on to say that a management association has to choose between being crusading and being compliant. "We at SAIMA have had to stand our ground and resorted to industrial action in 1974. Managers must be able to take action and must be seen as willing to take it."

A similar, although markedly less strident view, came from the private sector's National Unilever Managers' Association. "It has been suggested that some companies have prompted the genuine unionisation of managers by establishing controlled managers' associations which masquerade as independent unions," said vice-chairman, Frank Morley. "No doubt there are examples of such marriages of convenience but they must be regarded as a temporary expedient which cannot survive in the long term."

Morley said that a non-aggressive attitude between a company and its managers' association should not be misinterpreted as a conspiracy between them, or the acceptance of domination by the company, a comment which might be viewed with some cynicism by seasoned trade unionists.

"It would be foolish to deny," added Morley, "that the threat of sanctions is not an essential part of the negotiating stance, but once managers have demonstrated an ability to act as a collective body and have the same protection as other unionised employees, it does not require the adoption of a truculent attitude or a cacophony of sabre-rattling to convince employers that managers can react effectively if provoked."

There was a marked difference of opinion at the conference about whether management associations should gravitate towards the TUC or away.

The shipbuilders' (SAIMA) have joined the TUC through their merger with the already affiliated Engineers and Managers Association, formerly the Electrical Power Engineers Association.

The steel managers, SAIMA, last month applied to the TUC for affiliation, a move precipitated by their annoyance at being excluded from plans to introduce greater employee participation at the British Steel Corporation.

At the conference representatives of both associations urged other managers "to get into the TUC—that is where the power is—and influence it from the inside."

Reluctant

A number of managers expressed considerable doubts about the effectiveness of this course. As one put it: "I think it is a little naive and a little patronising. Even supposing half a million managers joined the TUC, what influence would they have? We've already agreed our interests are different, that's why we are reluctant to join traditional unions, for that very reason."

The alternative, according to a number of speakers at the conference, was to group management associations together: the most frequently mentioned example was the MPSLG (Management and Professional Staffs Liaison Group), which was initiated by the doctors, but includes other professions and managers' representatives.

The future unionisation of managers is far from certain, or settled. While the existing established organisations fight for the whip hand, there is an alternative: a new body representing managers collectively. There is far too much uncertainty to predict, but it might be worth watching to see if BIM chooses to pick up such a hot potato. Or indeed if its members or managers in general would wish to do so.

Jason Crisp

EXECUTIVE HEALTH

BY DR. DAVID CARRICK

Making sure the high fliers get the right jab for the job

AN INCREASING number of executives, like migratory birds with faulty directional equipment, spend much of their time flying from their own homes to alien lands, scattered throughout the globe and darting back again. This is in the name of business and is, doubtless, of the greatest benefit.

Unlike holiday-makers, to whom flying abroad is a rarity, many of these executives embark upon their endless, intermittent Odysseys as casually as lesser folk catch buses. They tend to develop a consuetudinal attitude to the exercise which is fine so long as they do not forget vital precautions. Just because journeys from, say, Britain to Bolivia seem far less daunting than trips from Liverpool Street to Llandudno, so speed and ease likewise have not eliminated the dangers of certain diseases which, if not always fatal, are singularly unpleasant and debilitating.

Immunisation against specific diseases is statutory and, without valid certificates, the debonair traveller (who can so easily forget to check) may be refused entry to other countries or, in certain places, may be admitted only after immunisation has been performed by local officials. Not only may this prove outrageously expensive, the amateur vaccinator may have only a rudimentary knowledge and the results can be unpleasant.

Apart from the compulsory immunisations, prophylactic methods should be adopted against other equally serious diseases. But only a fool, one might imagine, would ignore the chances of being smitten by diseases simply because no law exists to enforce protection against hostile organisms.

Of the statutory immunisations, there are but three: vaccination against smallpox, and immunisation against cholera and yellow fever. Although smallpox is supposed (by WHO) to be virtually extinct, many countries, particularly a majority of African republics, insist that visitors possess valid certificates. Necessary or not, this is a fact, and ignoring advice may cause great inconvenience. Immunity against smallpox lasts three years from the UK.

But immunisation must also be considered by travellers aiming for countries where none of these diseases exist. It is very likely that, during their journey, there may be scheduled or unscheduled stops in countries where the infection exists, for the casual organisms do not discriminate between visitors and stop-overs. Even if the voyager is not attacked, there is still a likelihood that officials at the place of disembarkation may require valid immunisation certificates simply as a wise precaution.

Illnesses against which protection is advisable include malaria, poliomyelitis, typhoid, and tetanus, for which no certificates are required. These will be discussed in the next article.



... the amateur vaccinator ...

As to the others already described, it cannot be emphasised too often that frequent travellers must make sure they keep up to date with their immunisations so as to avoid angry frustration and disappointment. And, statutory or not, no journey to dangerous parts should be undertaken without protection. Setting business considerations above health is as stupid as it is forlorn, and a dead executive is profitable only to the undertaker.

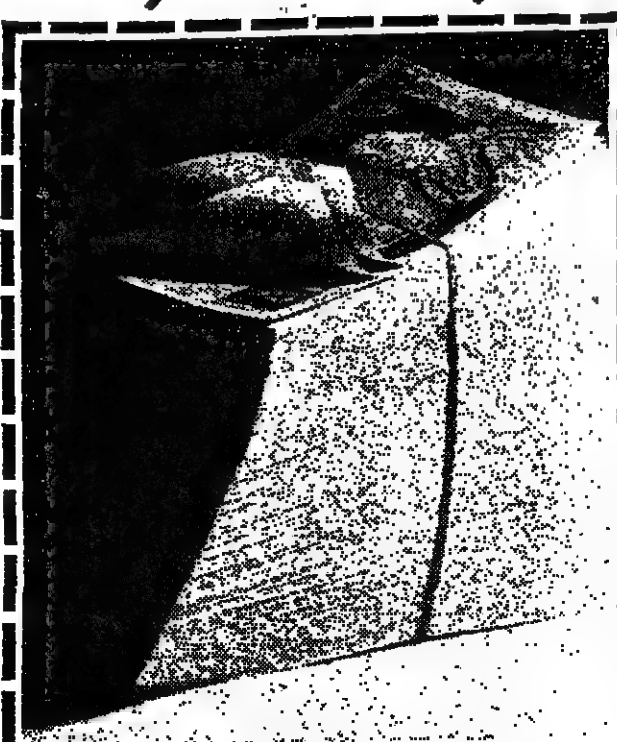
Protection against yellow fever, a most dangerous disease carried by the Aedes aegypti mosquito, which thrives in much of Africa and in Central South America, is provided by one angry injection and immunity lasts for ten years. This immunisation cannot be given currently with that involving another live virus (e.g., smallpox or poliomyelitis) and should precede either of the others by seven to 14 days. Immunisation is profitable only to the undertaker.

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Why the country is booming

BY SAMUEL BRITTON

THE UK is enjoying the nearest thing to a boom that it has experienced since the puncturing of the Heath boom by the oil crisis of late 1973. You can look at almost any statistical series of the last 18 months and you will come to the same conclusion.

Vacancies

Unfilled vacancies—probably still the best indicator of the general state of demand—have recovered to their highest level since the winter of 1974-75. Export volume is expected to be well up in the second half of 1978, according to an official poll of large companies. The DTI's spring survey shows an expected upturn in manufacturing investment of 10 to 15 per cent in 1978—although not enough to regain the 1970 peak. Judging from anecdotal evidence among industrialists I would expect the next CBI survey to be markedly optimistic.

Indeed after so many years in which the Budget forecast has overestimated growth there is an excellent chance that the 1978 forecast of 3 per cent will prove an underestimate of the actual rise in GDP, and given the low underlying rate of productivity growth, unemployment should be falling fast.

What accounts for the change? The cynical but wrong answer would be "The imminence of a General Election." A more realistic response would be that there is to be a change in the autumn because the economy is booming.

The proximate cause of the boom is the surge in real personal incomes. According to the National Institute, average earnings in 1978 should be up by over 13 per cent. With increases in employment, social security payments and tax relief, the rise in personal disposable income should come to over 15 per cent. This compares with a retail price rise between 1977 and 1978 estimated at just over 8 per cent.

But this still does not take us

very far. Why have real incomes and spending risen so? Since the mid-1970s most governments have attempted to boost the economy by becoming badly stuck. A first clue is given by the chart of the real money supply—that is, the money supply divided by the price index. This indicator gave a foreboding of the depressed condition of the mid-1970s but has been strongly positive since the summer of 1977.

But this is still only half an answer. For the authorities can only control the nominal money supply, not the real one. The dramatic element which has changed has been the fall in the inflation rate from 18 per cent in 1976 and 1977 to its present level.

This dramatic drop can hardly be due to pay policy—we have had very similar pay norms since 1975. The big change has been the turnaround in the effective sterling rate, which changed course from a sharp downward trend up to the last quarter of 1976 to a pronounced upward movement lasting until this February. (The moderate relapse this spring has not yet affected prices or wages).

Sterling

The improvement in sterling was itself due to the turn-around in confidence after the IMF agreement of December 1976 and the first main impact of North Sea oil on the current account. Both these are once-for-all bonuses. From 1979 onwards inflation will bear a more normal relation both to money supply and growth and the increase of money earnings. This means that real demand will also slow down (if not by as much as the National Institute fears), and the Keynesian establishment is clearly beginning to clamour for further stimuli, whether from a world host at the July summit, UK import controls or anything else available.

An alternative conclusion is that 1978 has been an exceptional year in which a demand stimulus—due basically to the foreign exchange markets rather than the Chancellor—has been possible. By 1979 the underlying forces limiting output and employment will once again be in control and clever "management" will be of no avail.

THE WEEK IN THE COURTS

Progress towards more open government

BY JUSTINIAN

SEVEN YEARS ago the Franks Committee was set up to examine section 2 of the Official Secrets Act 1911—that catch-all provision that makes the unauthorised disclosure of both serious and trivial information from government sources a criminal offence. In Parliament last Thursday the Government repeated its promise to publish a White Paper during this parliamentary session indicating its proposals for legislation.

Simultaneously, the Foreign Secretary announced that in future he would make available working papers on which certain foreign policy decisions had already been taken. Thus the two aspects of the "open government" debate—a much more narrowly defined restriction on the disclosure of information, and the establishment of a public right to government information—were placed in juxtaposition. It has not always been the case.

Political

The Franks Committee in its report in September 1972, emphasised that its examination of the situation in this country suggested strongly that openness in government depended on political and constitutional factors rather than on legal provisions. It thus declined to consider legislation based on the lines of the United States laws on public access to official documents.

"Because such a suggestion raised important constitutional questions going beyond our terms of reference," The growing clamour for something comparable to the U.S. Public Information Act 1967 has now elevated the discussion about the law as a stick with which to beat the lack of confidence in government information. Into an issue of high constitutional importance. A Labour Party Committee is on the point of introducing a Freedom of Information Bill; the Conservative Party is studying the subject with a similar aim in mind; and a voluntary body is known to be producing its solution. What are these proposals likely to be?

The U.S. legislation requires only that identifiable documents should be made available to the public for inspection and

copying. There are nine exceptions to the rule of availability. The nine are: defence and foreign policy secrets specified by Executive Order; internal personnel rules; matters expressly exempted by Statute; privileged or confidential trade or commercial information; privileged intra-governmental documents and correspondence; disclosure of personal and other files that would constitute an unwarranted invasion of privacy; law enforcement (mainly police) regulations; reports relating to supervision of financial institutions; and, quantity, geological and other data concerning wells.

The U.S., additionally, has penal statutes dealing with espionage (equivalent to our Section 1 of the Official Secrets Act, 1911, providing for the offence of spying) and concerning government information. Thus the law generally prohibits disclosure by public servants of confidential information about private business affairs, which is meant the unlawful disclosure of trade secrets and other business information. There are also a number of other provisions prohibiting the disclosure by persons other than public officials of certain narrowly defined types of information. A typical example prohibits the disclosure of information by bank examiners without authority from the bank or Federal Reserve officials.

Attractive as the American solution appears to be, there are grave doubts about how well it has worked in practice. Mr. Leon Brittan, QC and Conservative MP, sounded a warning note about the desirability of going down the American path in this country. His prescription and that of others might find a happier parallel in Swedish law.

Exceptions

In Sweden there are detailed provisions in three inter-related subjects. Every citizen (including public officials and members of the armed forces) has the right of free expression, which includes the publication of official documents. The only exceptions are for the protection of individual rights and public security. Another part of this Swedish Freedom of the Press Act specifically gives every citizen the right of access to official documents. Excep-

tions to this right are specified in a Secrecy Act.

A general exception to the right of public access is made for working papers and other similar documents prepared by an authority as part of the process of reaching a decision. Such a document becomes publicly available only if, once that decision has been taken, it is placed on permanent record. This seems to be the model for Dr. Owen's pronouncement last Thursday.

Public access

The exceptions to the right of public access contained in the Secrecy Act are not of this general character but related to categories of subject matter. The Act sets out in considerable detail the classes of document that are to be kept secret and the periods for which secrecy is to apply. These classes include documents on certain defence matters, the publication of which would harm the defence or security of the state; documents relating to Sweden's foreign relations; Cabinet records; documents relating to law enforcement agencies; but only if publication would be detrimental to the prevention or detection of crime or to the safety of the State or of an individual; certain Bank of Sweden documents; many kinds of documents containing personal information about individuals (censuses, registration of births, medical records, social assistance, and criminal records, unless the individual concerned consents to disclosure or the authority holding the information is satisfied that it will not be used to his detriment or his family's); many kinds of documents containing commercial and industrial information; and a variety of other documents, which include official inspection reports, patent applications, documents relating to industrial relations, wage negotiations and court proceedings heard in camera.

The switch in emphasis from the mere scrapping of the theoretically indefensible provisions of the Official Secrets Act to the question of the wider accessibility of governmental information reflects the quest for open government. The days of government by secrecy are clearly numbered.

WORLD CUP

BY ANDREW CLAIRE, Buenos Aires, June 18

Why the Argentines take their soccer so seriously

ON THE face of it, the fact that Holland's Rob Rensenbrink scored against Scotland, the 1,000th goal of the World Cup after 45 years and 11 tournaments, is little more than a curiosity.

But referee Erich Linemayr's penalty award for a foul by Stuart Kennedy on Johnny Rep in Mendoza is being enshrined in local legend. To the fans, journalists and officials here the 1,000th goal is a World Cup landmark of the greatest magnitude.

It matters not that it was one clearly goals in the 24 first-round games—only three more than the record low of 57 in 1958. It matters not that no individual is threatening to reach even double figures, let alone challenge Just Fontaine's total of 13 goals in the 1958 finals.

These statistics are of no importance here—whatever greater significance they may hold in the overall World Cup panorama. The figure that matters are those which improve the image of Argentina's World Cup, such as the 1,000th goal.

Image is vital here and the newspapers are the first to admit it. That is why it is easy to make short calls to London, Paris, Singapore, New York, yet desperately complicated to call Cordoba, Mar del Plata, Mendoza or Rosario. Foreign phone facilities are all tied up with a good presentation of Argentina abroad.

But if technical communications provide a less pleasing impression, personal contact provides the most spontaneous and exciting moments of the World Cup.

Last Wednesday's 2-0 win by Argentina over Poland was in Rosario, 130 miles from Buenos Aires, yet within minutes of the final whistle the centre of even the capital began rapidly filling with cars jammed full of young men and women all intent on celebrating their way through the night.

When Argentina win, you had better walk home. There is no point taking a bus or taxi, no chance of a cab, no chance of a mind-bending patriotic fervour.

from close range: the blue and white flags strung across, car bonnets, banners madly waving from vehicle windows; crowds massing along the vast central boulevards, singing, chanting, bringing out the drums.

For once, the public's delight in the Argentine's success is something to celebrate. One woman in a car, standing on the pavement watching the cheering, cavalcade roll past, told me: "We hear on the BBC news about Argentina that it is all bad, bad, bad. But there is so much more that is good, so much more that is good."

Add with something to enjoy. The Argentines, literally, go to town, even after their 1-0 defeat by Italy, the fans were there in their thousands. Admittedly they were a little slower to get out and about.

The other night not only the roads but the pavements were jammed too, whole families came out, standing around, even with little children wrapped in blankets and clearly snatched from sleep to join the festa, as the paper snow floated down around them from the high-rise flats.

Jubilant chaos. In Britain the Sunday reception a city grants its FA Cup-winning team is held in high regard, but there is no real celebration.

In the British case it is a garish affair, and it is one club around which jubilant chaos reigns. But the World Cup—and this one in particular—is not about mere clubs. It is about patriotism, and the Argentines for all that they are a comparatively new and mixed people, take pride in their nation and express their feelings through their reaction to the achievements of their team.

These reactions manifest themselves in many ways. One of the most unusual is that British visitors, to be sure, the national anthems of both teams applauded, instead of whistled and jeered, before a match.

In the Press Centre, where journalists gathered to watch a close-circuit relay of the Argentine game, the Argentine

journalists all leaped to their feet and stood to attention as their anthem was played 130 miles away.

All this serves only to echo the words of a Uruguayan, who once explained the South American attitude to soccer this way: "You Europeans have your traditions, your fine old buildings, and your history. We have our football."

For example, many of the major Buenos Aires clubs are heavily in debt, owing the Government money in back tax and pension fund contributions. Every now and again a well-meaning official yields a big stick and demands instant repayment.

The clubs merely reply: "To pay up will leave us bankrupt. There would be no football—and where would that leave you?"

The argument is that if Argentina bow out on or before next Sunday, soccer will suffer and so, in turn, will those minority interest sports which depend upon its clubs and cash for survival.

No wonder Argentina's manager, Cesar Menotti, is a chain smoker. Yet Menotti has remained remarkably cool. Indeed, the only time he became a little perturbed was when journalists attended a training session and he found so many tape recorders and microphones stuck under his nose, up to his chin, and round his ears, that he found it difficult to fight the inevitable cigarette.

Security has been tight round the Argentines. Inhibiting as it is for journalists, hangers-on, even officials and wives and girlfriends. Understandably, but these security considerations have been a godsend to Menotti.

Argentina's military junta has refrained from boasting of the chances of World Cup victory. But the tranquillity they show of force provides Menotti, has given him an ideal opportunity to fight one final fust under Argentina's patriotic powder keg.

CRICKET BY TREVOR BAILEY

A new and exciting breed

THE MOST satisfactory feature of the innings played by Botham, Gooch and Gower in the Lord's Test was not so much the runs scored, but rather the manner in which they were acquired.

These three young stroke-makers with shots when he first entered county cricket, left them all behind at international level and became another accumulator.

Various reasons were put forward for this acute shortage of good and exciting home-grown batsmen. These have included limited overs cricket, and too many players from abroad, and there has been some truth in both, but I believe, far more important causes have been the cut in the size of staffs before sponsorship came to the rescue, the alarming amount of indifferent coaching by indifferent coaches, and too many pitches, where the grafter was more likely to succeed than the stroke-maker, unless he happened to be a genius.

Botham, Gooch and Gower, in their very different ways, will, if they continue to make runs, as bring supporters through the vital to winning a Test series, turnstiles and empty the beer-often more so.

Not only here, but all over the world. It is beginning to look as if the days when a spectator went to a Test hoping that England would be in the field are over, and to make matters even better, there are a number of other promising youngsters waiting to be wings, such as Tavare, Athey, Bignell and Larkins.

However, a word of warning as there is a danger of being overcome by the joy of watching stroke-makers again in action for England—a pleasure which has been missing since the day of Dexter, Milburn, and Barber. It must be remembered that this Pakistan attack, especially without Sarfaraz, is second, probably third rate. It is one thing to destroy this Pakistan bowling, but it could prove an entirely different story against Roberts, Holding and Imiel.

Every team needs balance and is essential. A Barrington or a Boycott may not be as exciting as a Dexter, but they are just as important through the vital to winning a Test series, turnstiles and empty the beer-often more so.

U.S. OPEN GOLF BY BEN WRIGHT, Denver, Colorado, June 18

Andy North wins in close finish

ANDY NORTH, a 39-year-old Wisconsin born professional is the new U.S. Open Champion and the tallest in history. His height of 70.7 in. and for a one over par total of 285 gave him a one stroke advantage over Dave Stockton (71, 73, 70, 72) and J. C. Snead (70, 72, 73, 73).

Next at 288 came Hale Irwin and Tom Weiskopf, and at 290 over par Gary Player, Andy North, Jack Nicklaus, Bill Kratzert and Tom Watson.

The lanky North who has won only one tournament in nearly five years on tour here, was apparently coasting to victory and notably relaxed with five holes to go. At this stage he made a brief chat with his out-of-the-blue rival, the green ward of 32, only to falter thereafter; Andy Bean, Jack Nicklaus and Bill Kratzert.

Peter Oosterhuis, the lone player to finish on 288, made a brief chat with his out-of-the-blue rival, the green ward of 32, only to falter thereafter; Andy Bean, Jack Nicklaus and Bill Kratzert.

North holed an 8 ft putt for a birdie three at the short par 13th and 382 yards to put himself in this comfortable position. But he missed the fairway at the long 14th to drop a stroke and as he missed his putt,

Stockton was holding a huge one of consistency, immediately got away from his partner, whose putter chose to go sour on him.

North got in a six-foot putt for a birdie at the 14th hole and hit the green with two splendid shots at the 543 yard 8th for another birdie that left the field bounding in his wake at least five shots behind.

The drama of the final hole was almost unbearable in its suspense. First came Stockton, who like North after him drove into the right hand rough away from the water that runs down the way down the left.

Stockton came up short and did not pick up his putter, but a brief chat with his out-of-the-blue rival, the green ward of 32, only to falter thereafter; Andy Bean, Jack Nicklaus and Bill Kratzert.

North also missed the green and topped his pitch timely into the bunker in front of him. He played a marvellous bunker shot from the 543 yard hole but backed away from his final putt no less than twice before nudging it into the hole for a famous 70, 70 and 71 have been a model victory.

With what appears to be a particularly tricky Royal Ascot in prospect for backers this week, I believe it could well pay punters to throw in their lot with champion jockey Pat Eddery, in a bet offered by the Tote.

The young Irishman, who is riding with as much verve as ever this season is on offer at 5 to 1 by that firm to finish leading jockey over the festival, which opens tomorrow. Lester Piggett, so often the top jockey at the four-day meeting (which does not include Saturday's Heath card), and in need of 16 to achieve a century of Royal Ascot victories, is the favourite at 2.1. Carson is with Eddery on 5 to 1, with Mercer just a point longer. Any other named

with Vincent O'Brien's stable completely out of form.

Eddery's principal backer, Peter Walwyn, has his string in the fettle and it will come as a surprise if Seven Barrows does not land at least a couple of valuable prizes. At present, Eddery's likely mount for the Lambourn stable include Fox to achieve a century of Royal Ascot victories, is the favourite at 2.1. Carson is with Eddery on 5 to 1, with Mercer just a point longer. Any other named

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TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University. 11.35 Cricket. Second Test: The Cornhill Insurance Test Series: England v. Pakistan. 1.30 Camberwick Green. 1.45 News. 2.10 Cricket. Second Test: England v. Pakistan. 4.18 Regional News for England (except London). 4.30 Play School. 4.45 Chess. 5.10 Pop starring Keith Chegwin. 5.10 Blue Peter. 5.35 Roobarb. 5.40 News.

5.55 Nationwide (London and South-East only). 6.30 Nationwide. 6.50 World Cup Report. 7.30 Angels. 8.10 Panorama: Chile's Water-gate (report on the recent scandal). 9.00 News. 9.25 The Monday Film: "Lady in Cement" starring Frank Sinatra and Raquel Welch. 10.55 Tonight. 11.55 Weather/Regional News. All Regions as BBC 1 except at the following times:

Wales—1.30-1.45 pm Pili Pala. 5.55-6.30 Wales Today. 11.35 News and Weather for Wales. 5.45-6.30 News. 6.30-7.30 Reporting Scotland. 10.55 Public Account. 11.30 News and Weather for Scotland. Northern Ireland—4.18-4.30 pm Northern Ireland News. 5.55-6.30 News. 6.30-7.30 Reporting Northern Ireland. 11.35 News and Weather for Northern Ireland. England—5.55-6.30 pm Look East (Norwich). Look North (Leeds, Manchester, Newcastle). Midlands Today (Birmingham). Points West (Bristol). South Today (Southampton). Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University. 11.00 Play School (as BBC 1 4.30 pm). 4.30 Cricket. Second Test: England v. Pakistan. 6.25 Open University. 7.00 News on 2 headlines with subtitles. 7.05 Up the Organisation. 7.30 Newsday. 8.15 The Two Ronnies. 9.00 Play of the Week: Kenneth More in "An Englishman's Castle," part 2. 9.50 Race to the North. 10.40 Sea Tales. 11.10 Late News on 2. 11.20 Cricket: Second Test (highlights). 11.50-12.00 Closedown (reading). BBC 2 Wales only—7.05-7.30 pm Heddi. 11.50-12.15 am Up the Organisation with Robert Townsend.

LONDON

9.30 am School Programmes. 12.00 Jamie and the Magic Torch. 12.10 pm Rainbow. 12.30 News plus FT index. 12.55 Help. 1.00 World Cup '78. 2.00 Afternoon. 2.55 Monday Matinee: "Crooks and Coronets" starring Telly Savalas and Edith Evans. 4.20

Clapperboard. 4.45 The Tomorrow People. 5.15 World Cup '78. 5.45-6.30 News. 6.30-7.30 Reporting Scotland. 10.55 Public Account. 11.30 News and Weather for Scotland. Northern Ireland—4.18-4.30 pm Northern Ireland News. 5.55-6.30 News. 6.30-7.30 Reporting Northern Ireland. 11.35 News and Weather for Northern Ireland. England—5.55-6.30 pm Look East (Norwich). Look North (Leeds, Manchester, Newcastle). Midlands Today (Birmingham). Points West (Bristol). South Today (Southampton). Spotlight South West (Plymouth).

Wales—1.30-1.45 pm Pili Pala. 5.55-6.30 Wales Today. 11.35 News and Weather for Wales. 5.45-6.30 News. 6.30-7.30 Reporting Scotland. 10.55 Public Account. 11.30 News and Weather for Scotland. Northern Ireland—4.18-4.30 pm Northern Ireland News. 5.55-6.30 News. 6.30-7.30 Reporting Northern Ireland. 11.35 News and Weather for Northern Ireland. England—5.55-6.30 pm Look East (Norwich). Look North (Leeds, Manchester, Newcastle). Midlands Today (Birmingham). Points West (Bristol). South Today (Southampton). Spotlight South West (Plymouth).

ANGlia

12.55 am. Austin News 2.00 Home. 2.25 Mystery Movie. 2.50 Home. 3.15 Carrom Time. 3.30 Austin. 3.55 am. Reflection. 4.30 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.55 Home. 8.15 Home. 8.35 Home. 8.55 Home. 9.15 Home. 9.35 Home. 9.55 Home. 10.15 Home. 10.35 Home. 10.55 Home. 11.15 Home. 11.35 Home. 11.55 Home. 12.15 Home. 12.35 Home. 12.55 Home. 1.15 Home. 1.35 Home. 1.55 Home. 2.15 Home. 2.35 Home. 2.55 Home. 3.15 Home. 3.35 Home. 3.55 Home. 4.15 Home. 4.35 Home. 4.55 Home. 5.15 Home. 5.35 Home. 5.55 Home. 6.15 Home. 6.35 Home. 6.55 Home. 7.15 Home. 7.35 Home. 7.5

FINANCIAL TIMES SURVEY

Monday June 19 1978

FINLAND

Tranquil relations with the USSR—big brother next door—
mean that the Finns are able at the moment to concentrate on domestic problems.
These are considerable, including high unemployment, cuts in real incomes
and a higher than usual level of inflation.

Attuned
to
tough
goingBy William Dullforce
Nordic Correspondent

THE FINNS are difficult to understand. Last winter some 200,000 of them, around 8 per cent of the workforce, were unemployed and that figure may well be surpassed next winter. They have since twice fought the Russians to preserve it. They also survived in the first years of independence a civil war, which has left its scars. For half the period, since 1948, their independence has been balanced on the Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union.

One could suspect the Finns of masochism or at least a disposition to exaggerate their situation. The national characteristic which may be translated as guts, or tenacity in the face of adver-

sity. A simpler explanation is that Dr. Koivisto's popularity testifies to the Finns' fundamental good sense, which is often obscured by the chaos of their politics. When the going gets tough, their sense of realism reasserts itself and they gratefully follow a determined lead. This has been a typical and recurring pattern during their chequered 60 years as an independent nation.

The Finns won that independence from Russia when the Bolshevik revolution broke out. They have since twice fought the Russians to preserve it. They also survived in the first years of independence a civil war, which has left its scars. For half the period, since 1948, their independence has been balanced on the Treaty of Friendship, Co-operation and Mutual Assistance with the Soviet Union.

This unique document serves to reconcile Finnish independence and neutrality with the security requirements of the Soviet Union. It gives over the past two years. The Moscow considerable leverage man chiefly responsible for in-flicting this punishment is Dr. Mauno Koivisto, the Governor of the Bank of Finland, who has insisted that priority be given to restoring the foreign payments balance and to curbing inflation. Yet top of the latest popularity polls (excluding the President) is Mauno Koivisto.

For the time being relations with their big neighbour appear to be running smoothly. The Soviet Prime Minister Alexei Kosygin was in Finland

twice last year, once for the independence celebrations in December, and the Soviet Foreign Minister Andrei Gromyko turned up in Helsinki for the anniversary of the Treaty. Finland has been setting more top level Soviet visits than most East Bloc Communist states. And they have been friendly visits not brought about by any crises in the relationship.

One reason for the Russians' satisfaction is undoubtedly the re-election of Dr. Urho Kekkonen. At the age of 77 he started on another six-year term as President in March after holding the office since 1956. He has exercised a dominating power over Finnish politics and has been increasingly criticised for curbing the talents of other potential political leaders, but the personal trust he has built up in Moscow has been a fundamental element of Finland's independence during the last quarter of a century. At the moment, too, the tranquillity in their relations with the Russians helps the Finns to concentrate on their domestic problems.

Surplus

For, despite the cure imposed by Dr. Koivisto, Finland is by no means out of economic trouble. The payments balance may show a surplus this year and inflation has been brought down from an annual rate of 15 per cent to around 7 per cent but the level of economic activity remains low and unemployment is growing rather than receding. After three devaluations in the space of a year Finnish exports, par-

ticularly in the vital pulp and paper sector, are more competitive. The export performance this year is considerably better but companies are still having to sell a number of products at prices lower than their manufacturing costs.

By the end of last year the success of Dr. Koivisto's monetary policy had in fact shifted the weight of responsibility to the Government. His monetary cure had stabilised the economy but at a low level. It was up to the Government to find a way of restimulating without releasing the devil of inflation. This was easier said than done because it called for action not by one determined man backed by a competent staff but by a coalition working within the complications of Finnish politics.

The Cabinet headed by Mr. Kalevi Sorsa, the Social-Democratic Prime Minister, has so far thrashed out three "stimulation packages" of fiscal measures. They have been politically remarkable in that they have shown a Government dominated by Socialists and Communists pursuing an orthodox, non-Socialist line, even, it could be said, one which appears at least in the short term to be hostile to workers' interests. Moreover, this policy has been accepted at least for the time being by the union leaders.

Communist participation in the Government is another enigma which does not lessen the difficulty of interpreting the Finnish political scene. Not all the Communists back the Government. The "majority" wing, led by the party chairman, Mr.

Aarne Saarinen, participate in the Cabinet but the "minority" headed by Mr. Taisto Sinisalo, one of the vice-chairmen, reject participation and a dozen of them vote steadily against the Government in Parliament. Mr. Saarinen is if not a Euro-Communist at least a national-ist, while Mr. Sinisalo is regarded as a Stalinist hewing to the Moscow line.

Some Finnish politicians believe, however, that Mr. Saarinen is out to prove to sceptical Western Europeans that Communists can work loyally within a Coalition Cabinet, a demonstration which could benefit his Italian and French colleagues. This supposition does not take into account the singularity of Finland's foreign political situation and of its internal politics. Foreign policy and particularly relations with the Soviet Union are in the hands of the President and not the Cabinet in Finland. Moreover, all major Finnish parties support the current foreign policy line towards the Soviet Union. Foreign policy is not a subject of argument within the Cabinet.

On the other hand, it can be argued that it has been the other parties' advantage to have the Communists in the Cabinet, taking responsibility for tough, non-Socialist measures, at a time of economic crisis. Mr. Saarinen believes that his "majority" Communists can exercise greater influence from within the Cabinet but he could very well have caused more trouble for the other parties by staying in opposition. In effect, the Communists appear to have been able to amend Government

policies only in very minor ways.

Some Finnish political commentators have claimed that Mr. Sorsa and his Social Democrats have become prisoners of the Communists. Their thesis is based chiefly on the Social Democrats' supposed diffidence about taking any action which would weaken their capacity to hold the Communists at bay in the trade unions. The commentators may have put the boot on the wrong foot. Recently, the Communists have looked more like Social Democrat captives; they have had to accept Dr. Koivisto's strong deflationary line. Mr. Sorsa's tax reliefs for private business and high unemployment. And so far there is no evidence that they have won ground from the Social Democrats within the Union movement.

Partnered

The Social Democrats, who have 54 of the 200 members of Parliament, are partnered in the present Coalition by the People's Democrats (the umbrella organisation for the Communists and Left Socialists who together have 40 members of parliament, including the opposition "minority" faction), the Centre Party (40) and the Liberals (6). The Government can usually count on the backing of the Swedish Party (10), which formed part of the Coalition until the reshuffle in March.

The Centre Party, chaired by Mr. Johannes Virolainen, the Minister of Agriculture, is a regular partner in Finnish governments. It is the Pres-

ident's party and among its present leaders is Dr. Ahti Karjalainen, several times Prime Minister and still regarded as the most likely man to succeed Dr. Kekkonen despite his recent disagreements with the President. The Centre Party's influence derives in part from the fact that, despite the apparent dominance of the Left in the Cabinet, there is a non-Socialist majority in Parliament. The "permanent" opposition is formed by the Conservatives (34 members) and three splinter partners, including the Christian League.

At this point it is necessary to explain yet another peculiarity of the Finnish political system. Under the Constitutional Act financial measures have to be approved by a five-sixths majority in Parliament. If they are to be implemented immediately. Technically a two-thirds majority suffices, but the one-third voting against can veto application of the measures until they have been passed again by a newly-elected parliament. The need to obtain a five-sixths majority for urgent fiscal measures clarifies to some extent both the vacillation and apparent ineptitude of Finnish governments. It also helps to explain why a Left-dominated Cabinet has in recent months been pursuing a consistent non-Socialist policy.

Mr. Sorsa and his Social Democrats hope to have a bill amending the constitution agreed within the Cabinet by the end of this month. The original intention was to ex-

BASIC STATISTICS	
Area	130,129 sq miles
Population	4.73m
GNP (1976)	FM 107bn
Per capita	FM 22,620
Trade (1976)	
Imports	FM 28.6bn
Exports	FM 24.5bn
Imports from UK	£289m
Exports to UK	£562m
Trade (1977)	
Imports	FM 30.7bn
Exports	FM 30.9bn
Imports from UK	£346m
Exports to UK	£594m
Currency: Markka £ = FM 7.87	

clude fiscal measures from the provisions of the Constitutional Act and to allow them to be approved by a simple majority in Parliament. Because of the Centre Party's belief that simple majority legislation could pose a threat to private ownership, the likelihood is that the Cabinet will plump for a two-thirds majority requirement, eliminating the present minority veto. The intention is to have the amendment passed by the present Parliament and the next Parliament due for election in March.

The timetable is critical because it is by no means certain that the present coalition can survive until March. It faces an inevitable squabble in the autumn over the 1979 Budget; the Left and the Centre Party

CONTINUED ON NEXT PAGE

It was like selling Whisky to the Scots.



A US company has just ordered a complete thermomechanical pulp plant from Finland.

United Paper Mills Ltd of Finland knows what it is talking about. Especially about TMP, because it has got what it takes: the Kaipola TMP and newsprint mills to use the Jylhä machinery and Finntalc in production, and printing houses to test the qualities in use.

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100 % Thermomechanical pulp	40 g/m ²	161 m ²

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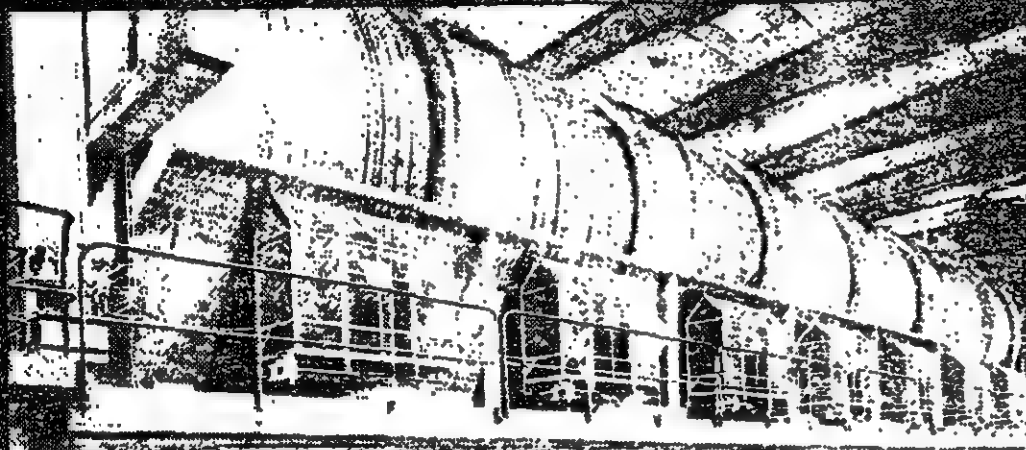
From pulp and paper to plywood and boards



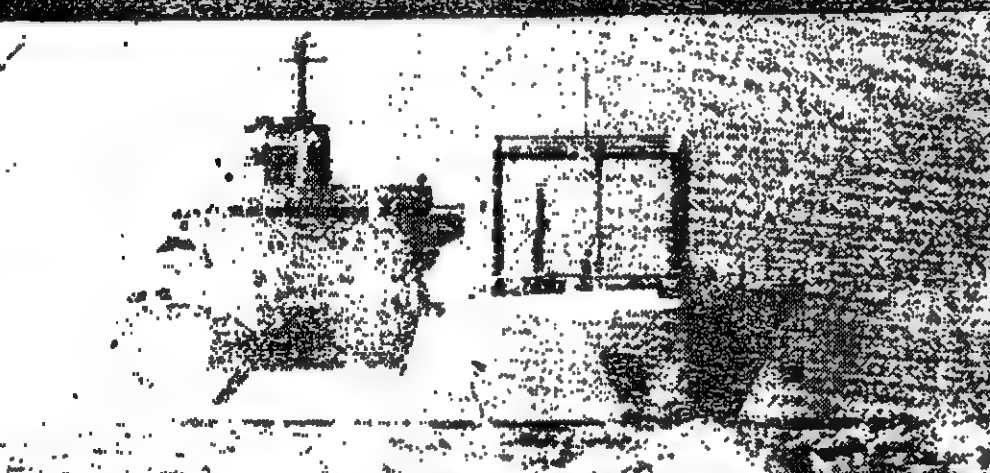
Rauma-Repola produces 150,000 tons of high grade dissolving pulp and 60,000 tons of bisulphite pulp a year, 260,000 tons of newsprint and other printing grades. Rauma-Repola also produces 20,000 cubic metres blockboards, film-coated shuttering boards, lime stone coated plywood and other grades used by the building and joinery industry.

Rauma-Repola masters of woodyard and fibre line technology

Rauma-Repola wood processing contributes valuable know-how to the manufacture of machinery for the forest industry. Rauma-Repola wood processing machinery is designed to facilitate the use of all the available wood raw material. The design of the machines make it possible to process extreme log sizes. Rauma-Repola also supplies complete plants for the fibre line and for pulp drying and finishing.



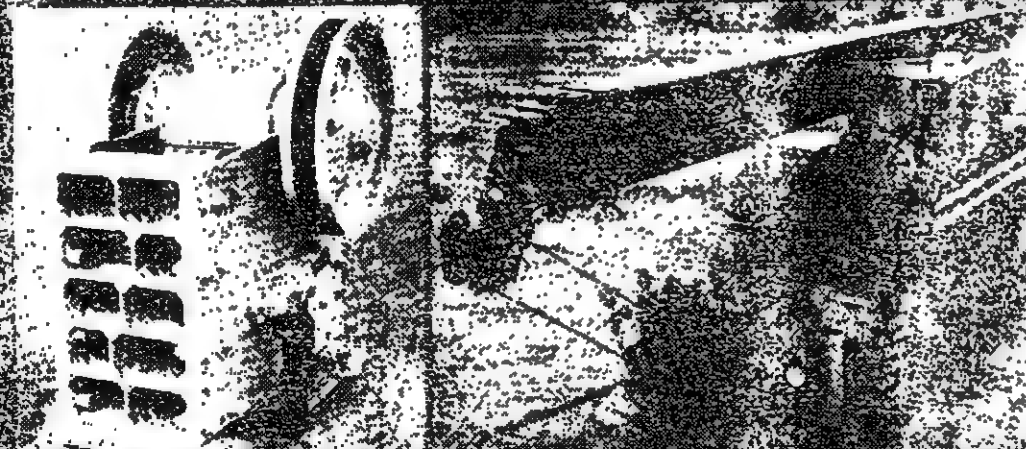
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Lokomo - a familiar name on the building site

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Foreign policy success story

FINNISH FOREIGN policy is the prerogative of the president. For the past 22 years it has, therefore, been directed by Dr. Urho Kekkonen and, in view of the fitness of this 77-year-old skier and former national high jump champion, it is likely to be under his firm control for the next six years. By any standards those 22 years have been a success story.

The term "finlandisation" has been coined in the West to describe Finland's situation in the shadow of the Soviet Union. The implication is that the Finns survive within the Soviet sphere of influence by acceding to Moscow's pressures and influence. Looked at from Eastern Europe, say, from Prague or Budapest, "finlandisation" has a quite different connotation. For Finland is a flourishing western-style democracy operating a typical Scandinavian market economy. Like the Swedes and Norwegians it has its free-trade agreement with the EEC.

President Kekkonen often refers to a speech he made during a visit to Finland in 1960 by the then Soviet Prime Minister Nikita Khrushchev. He said, "I am convinced that, even if the whole of the rest of Europe became communist, Finland would stand firm on the time-honoured ground of Nordic democracy, if the majority of the Finnish people wanted it that way — and I believe they do."

The assumption in that statement is that the Soviet leaders respect and will continue to respect Finland's independence. The assumption may not be shared by other Western statesmen but President Kekkonen can fairly claim to have greater experience of the Russians than any of them and he can refer to the record.

On the face of it, President Kekkonen's latest proposals can be interpreted as promoting Soviet interests, since any obstacles to the deployment of American cruise missiles in the Nordic area would favour the Soviet Union. A more pertinent explanation for Dr. Kekkonen's rather premature proposal can be found in the Finnish-Soviet treaty, under which the Finns are bound to start consultations at the military level should any threat arise to Soviet security involving Finland.

In other words, should the current SALT talks between the U.S. and the Soviet Union, in which the cruise missiles are concerned, fail, the Finns could foresee a request from Moscow for the establishment of advance warning posts against cruise missiles on Finnish territory. The American reaction has been that neither Finland nor the other Nordic countries have so far any reason for concern about the possible invasion of their air space by cruise missiles.

On this occasion President Kekkonen does seem to have beaten the gun by a considerable margin. But his proposal illustrates the vigilant forecasting and anticipation of events which Finland has to practise. The President has, since declared his intention of continuing to press for Nordic disarmament talks, despite the lack of enthusiasm in the other Nordic capitals and the absence of any reaction from Moscow or Washington. His insistence is reinforced by the pessimism he appears to entertain about the international situation and about the prospects of any immediate progress in detente between the U.S. and the Soviet Union.

President Kekkonen has chosen to promote this Finnish interest actively. It was no coincidence that the conference on European Security and Co-operation began in Helsinki, where its final act was also signed in 1975. Frequently Dr. Kekkonen's initiatives have been regarded in Western capitals as serving Soviet interests. It is true that the Finns, taking advantage of the greater freedom of expression in the West, address Western politicians more sharply than they speak to the Russians, at least in public. But Finnish political demarches can usually be adequately explained as designed to promote national interests.

There is no evidence, for instance, that President Kekkonen's latest initiative was in any way promoted from Moscow. In a speech to the Swedish Foreign Affairs Institute in Stockholm last month, he revived the proposal for a nuclear-free Nordic area which

he first launched in 1963, but this time he made some additions. He suggested that the Nordic countries — Denmark, Finland, Iceland, Norway and Sweden — should get together to consider the effect on their security of recent advances in weapon technology. He referred specifically to the low-flying cruise missiles developed by the Americans and the possibility that their deployment against Soviet targets from within international waters close to the Nordic bloc could lead to infringement of the Nordic countries' air space.

President Kekkonen also proposed that in view of the delay in achieving world disarmament the Nordic countries should start negotiations among themselves on disarmament control and invite the major powers, whose security could be affected, to participate in the talks. These proposals were received coolly in Oslo and Copenhagen, while the reaction in Stockholm can at best be described as guarded.

Defence Minister announced that West German participation in NATO manoeuvres in Norway would be limited to medical and signals units. The Norwegians gave consideration for Finnish interests as one reason for their decision.

This decision can also be seen as preserving the "Nordic balance," the theory that some kind of security is achieved in Northern Europe when Finland is linked to the Soviet Union through their treaty, Norway and Denmark are members of NATO but with reservations about the stationing of foreign forces on their territories during peacetime, and Sweden maintains an armed neutrality. Although Finland's purpose is to have the whole Nordic area recognised as neutral, President Kekkonen implicitly accepted the validity of the balance in his Stockholm speech. Nordic disarmament could be negotiated "within the framework of existing security arrangements," he stated.

Agreements. Unusually, the Finnish President has not visited Moscow since May last year, when he signed a 15-year economic co-operation agreement. On the other hand, Soviet Premier Alexei Kosygin was in Helsinki in December for the second time within a year for the celebrations of Finland's 60th independence anniversary, and Foreign Minister Andrei Gromyko attended the ceremonies in Helsinki to mark the 30th anniversary of the treaty between the two countries. The relationship is going through a markedly cordial phase, whatever apprehensions President Kekkonen may be entertaining about future international developments.

The 15-year agreement has not yet produced the results for which the Finns were hoping. They were looking for their engineering and construction companies, but two difficulties remain to be overcome. In order to balance the trade, they have to find products other than oil, which the Russians will not deliver in large amounts, to import from the Soviet Union. It also appears that the Russians have been having financing difficulties which have delayed the start of some major projects, for which Finnish companies expect to contract.

However, the Finns have won some extra orders for their shipyards, a Soviet trade team was in Helsinki earlier this month and the Finn-Stol construction consortium has been asked to tender for the third phase of the giant paper and pulp complex being built at Svetogorsk. A joint group is also working on the next five-year trade agreement for 1981-1985, which should see a further boost in the trade volume.

One of the most interesting developments of the 15-year agreement has been the provision for joint Soviet-Finnish bids for industrial projects in third countries. No orders have yet been realised but about 10 Finnish companies have in the past year concluded co-operation agreements with Soviet organisations. The brightest prospects for this type of co-operation are believed to be in Africa and the Far East, with construction projects in the forefront. The Finnish-Soviet agreements also cover shipbuilding, the delivery of pulp and paper mills and steelworks.

William Duffell

Attuned

CONTINUED FROM PREVIOUS PAGE

will have to compromise over the farm incomes; at the turn of the year the cabinet will have to decide whether or not to extend the temporary company tax relief measures; and finally at the end of February the national wages agreement expires just two weeks before the scheduled election date.

Finland closes down for the summer. The Finns will return in the autumn from their cottages and lakes to a familiar programme, in which the Government will lurch from one minor internal crisis to another, this time with an added element of nervousness, as each party jockeys for position in the election stakes. This is the reverse side of the independence medal, the price the Finns have to pay for their success in preserving that pluralistic democracy. Only a small minority think the price is too high.

And if one looks back over the past 12 months, the politicians' record is not all that bad. Although industry may still grumble that not enough has been done, the cuts in social security charges on employers and the investment tax

reduction, coupled with the devaluation, do offer companies the prospect of returning to profit, as demand picks up on the export markets. The right result was achieved, even if it was arrived at by a long and circuitous political route.

The main question now is whether the present coalition or any new one formed after the election can keep the Finnish economy on the right road. Party leaders could be tempted into expensive, vote-collecting measures during the run-up to election and the Social Democrats will have to consider whether and when to switch back to a more overtly Socialist policy. This could be dangerous.

The tax relief accorded to the companies has been temporary and must be prolonged, if there is to be a foundation for expansion. The demand for Finnish goods abroad is not yet strong enough, nor are prices high enough, to allow for any tampering with company finances.

The prospect for the jobless is poor indeed. There is little hope of employment picking up next year and the Government has revised its target of getting

the unemployment rate down from 2.5 per cent to 3.5 per cent by 1982. The best hope of reaching that goal would seem to be for the Government to continue its policy of first getting industry going again and forming a sound basis for more jobs.

To judge by the popularity of Governor Koivisto and the swing towards the right in recent opinion polls, the political atmosphere in Finland would seem to favour just such a policy. If the present move to the right continues to the election, the Conservatives could well increase their strength in Parliament by up to a dozen, possibly making them the second largest party to the Social Democrats. If that happened, their right to come in from the cold and help form a government would have been proclaimed. It could even tempt the Centre Party into deciding to form a non-Socialist government, a move which could affect attitudes in Moscow. The permutations of Finnish politics will continue to fascinate. It is to be hoped that they will not hinder the economic recovery which appears to be just getting under way.

FINLAND III

Economic recovery still lacks vigour

OVER THE past year Finland has harmonised its monetary and fiscal policies. The Government, falling into step with the Bank of Finland, has concentrated on restoring the competitiveness of Finnish industry. Last year the trade balance was in surplus, this year there will probably be a surplus on the current account as well. The rate of inflation has been halved and after three devaluations, totalling some 16 per cent, Finnish exports are beginning to recover their markets.

The price paid has been an unemployment level which averaged over 7 per cent last year, peaked at 9 per cent last winter and will almost certainly reach a new peak of around 10 per cent in the coming winter. Investments have plummeted and consumption has declined. And the Finns have taken a substantial cut in real disposable incomes.

The economy, having hit bottom, is on the way up, but the recovery is so far fragile. The growth rates in the economies of Finland's main trading partners are not yet high enough to ensure that the increase in export volumes during the first four months reflects a firm trend. Industrial production continues to stagnate and capacity utilisation is still low.

The coalition Government has pumped some FM 4bn (£510m) into the economy in the past 19 months in three "stimulation packages" which have included temporary relief from social security charges and taxation for industry and some demand-stimulating measures. It is approaching a pre-election budget, in shaping which the party leaders will need to exercise considerable self-discipline if they are to avoid blighting the tender growth buds they have been nurturing.

The improvement in the foreign exchange reserves—an increase of some FM 2bn since the February devaluation—and the gradual easing in monetary policy have started a passive accumulation of liquidity, which will have to be watched carefully. Finally, in February, just before the scheduled election date, the two-year collective wage agreement expires. If the unions press for anything beyond the maintenance of current real wage levels, the economic recovery would again be endangered.

Trimmed

The current position is that the economy has been trimmed and rid of two debilitating cancers, the payments deficit and the high inflation rate. Unit labour costs have been brought down and companies' profitability has been improved. After a three-year decline in growth, forecasts point to a rise in GDP of 1.3 per cent this year, accelerating to 3 per cent in 1979. But optimism still has to be tempered with caution.

Finland has a tradition of successful devaluations at roughly ten-year intervals. The February devaluation was different in that it was the culmination of a series triggered off by the devaluations of other Nordic countries, but the circumstances seem to be propitious. The 8 per cent depreciation in the Finnmark has been accompanied by a reduction of some 7 per cent in real wages and cost-cutting measures in the companies' favour, which must add up to a genuine boost to the competitiveness of the export industries. This should in the long run more than offset the losses of those com-

panies with heavy debts in foreign currencies.

The value of exports in the first four months of this year rose by 17 per cent compared with the corresponding period of last year, when, however, trade was hampered by a strike and the exports of the pulp and paper industry were at their nadir. Prices have scarcely improved, so that the increase in value represents a substantial growth in volume. The value of imports rose by 9 per cent, which is calculated to reflect a 5 per cent fall in volume and the trade balance is estimated to have been some FM 880m in surplus. It has yet to be proved, however, that the growth in exports can be sustained.

The forecasts so far published for the 1978 current account surplus vary from the Finance Ministry's cautious FM 200m to the FM 2.4bn of the Trade Union Federation economists. The actual result will almost certainly fall somewhere in between, but all forecasters agree that, while imports will continue to decline in volume this year, exports are estimated to grow by 4.5 per cent in volume. This would imply a definite, if modest, turn for the better, since so far the improvement in Finland's external balance has been due more to the fall in domestic economic activity and the consequent drop in import demand than to the growth in exports.

The net foreign debt, both short and long term, at the end of 1977 was FM 48.3bn or 23.5 per cent of GNP. The Government is expected to borrow about FM 3bn this year while amortisations should amount to roughly the same figure. The degree to which private business will need and be able to borrow abroad is not yet clear, but, depending on the short-term developments, there is likely to be only a small increase in Finland's net debt position in 1978.

Private consumption is expected to decline again this year. There may be a slight improvement in net household incomes, but this is expected to go more into savings than into consumption. The Bank of Finland estimates that domestic demand as a whole will continue to have a slight negative effect on the total output. Production is expected to show only a small increase and capacity utilisation will remain very low.

As long as business operates well below capacity, it can hardly be interested in investments. All the investment forecasts for this year are negative, with industry's own research institute, ETIA, anticipating a further 15 per cent drop in industrial investments. This, it is hoped, will be recovered in 1979, but that would return investments only to the 1977 level, when they were already not much more than half those of 1975.

The assumption is that the companies will be using the improvement in profitability deriving from the devaluation and the fiscal measures to reinforce their finances and perhaps to renew their raw material stocks. Most companies are now heavily indebted and badly need a few profitable years to get back on their feet. They have been trimming their labour forces over the past year, a move which has hurt office staff as well as the shop floor, and productivity has undoubtedly increased despite the stagnation in total output.

This trend towards rationalisation of labour may be healthy

in the long run, but it complicates the Government's task in dealing with what, despite the patience of the Finns, will eventually become the prime political issue, unemployment. Finland was the first of the Nordic countries to switch from an expansionist policy, when Governor Mauno Koivisto at the Bank of Finland headed for restoration of the payments balance at the end of 1975. The result has been by far the highest unemployment level since the war, with some 200,000 people out of work last winter. The forecasting institutes agree that the annual average of unemployment will be higher again this year and probably still higher in 1979.

Through the 1960s Finland had one of the fastest growth rates within the OECD, but to restore the full employment situation required of a welfare state over the next five years, it would have to achieve an even higher growth level than that of the 1960s. Nobody believes that to be possible.

To some extent the dramatic increase in the number of jobless stems from the women who started working in the boom years of 1973 and 1974, but the most worrying factor at present, which Finland shares with other countries, is unemployment among the young. This has a double edge, because in addition to those who cannot find a job at all are many who cannot get a job in line with their qualifications.

The Government, with the tacit consent of the unions, has been concentrating on the reinforcement of industry, on restoring the engine of the economy. There is a widespread understanding that this job cannot be left half done, but at least some time next year after the general election it will have to be seen to be taking some real action on unemployment. The discussion has already started. One interesting idea mooted is that, on the assumption of a lower international economic growth in the years to come, companies must be encouraged to take on employees by making labour cheaper.

Penalises

The theory is that labour must become cheaper in relation to capital. The costs of the welfare state have traditionally been charged to company payrolls with social security, pension and general taxation charges adding up to half or more of labour costs. This penalises companies for employing labour and puts the emphasis on an intensified use of capital and energy. Switch the emphasis, it is suggested, tax on consumption such as VAT and get the unions to accept pay restraint in return for more jobs. The implications of this argument for a country dependent on foreign trade anomaly: the Communists are

have yet to be worked out, but the Centre Party has already come up with a new economic programme based on a lower growth rate, conservation of energy and fuller use of domestic energy sources and a decentralisation to benefit the small business.

In the more immediate future the Government has to deal with the ticklish problem of how to meet a potential deficit of around FM 5bn. There are three possibilities: further cuts in Government spending, an increase in sales tax and more State borrowing abroad. Both the Centre Party, whose leader, Mr. Virolainen wants another FM 500m for his farmers, and the Communists, who wish to spend more on unemployment relief, are against expenditure cuts. The Communists oppose any increase in sales tax, a step about which the Social Democrats are also doubtful. All agree to borrow more abroad but there are limits to how much the state can expect to raise.

The Government will borrow about FM 3bn abroad this year, of which about two-thirds have been taken up in the first half in fixed-rate bonds at favourable terms. The state debt is still relatively small, and there is scope for further borrowing next year but by no means the full extent required to meet the budget deficit. Here again the argument for a country dependent on foreign trade anomaly: the Communists are

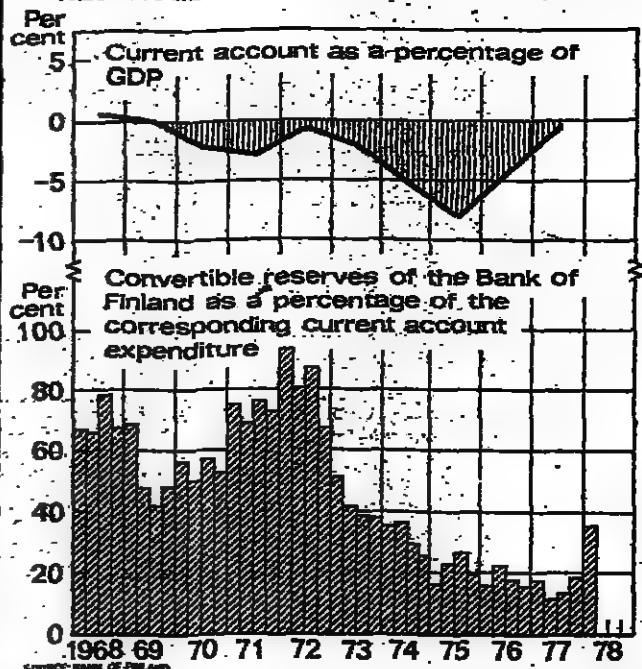
probably the most eager to borrow on the Western capitalist market.

If the cabinet can compromise over the budget, the next major hurdle will be the national wage settlement between the employers and unions to replace the two-year agreement expiring at the end of February. Last December the unions agreed to postpone for six and four months, respectively, wage increases due to take effect in March and October this year (at the same time adjustments to farmers' incomes were postponed and shareholders' dividends frozen at the 1977 level). In a post-devaluation settlement it was agreed to pay 1.5 per cent of the postponed wage increases in May.

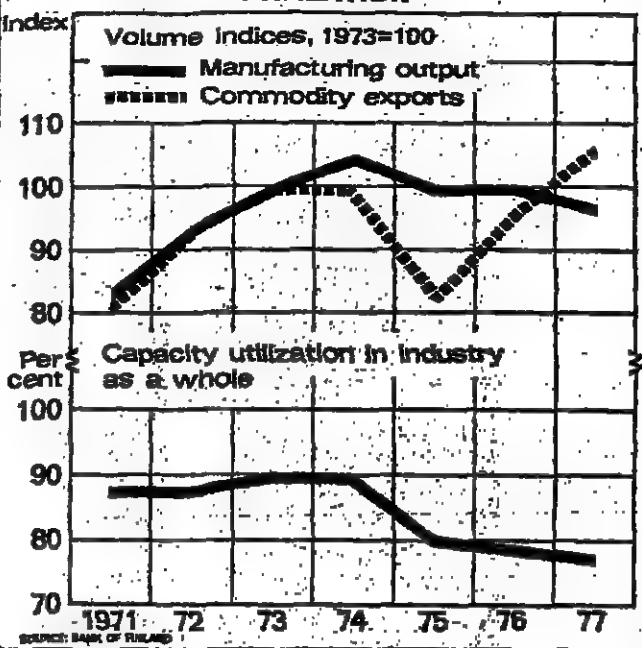
The position is, however, that the wage increases already in the pipeline are so large that there is little more employers can offer without eroding the precarious improvement in industry's competitiveness achieved over the past year. If the programme to concentrate first on restoring industry's strength is not to falter, the unions must restrain their demands to compensation for price increases. One ray of hope stems from the decline in the inflation rate, which has been running at 5.6 per cent over the past five months, and is not expected to reach much more than 7 per cent over the year as a whole.

W.D.

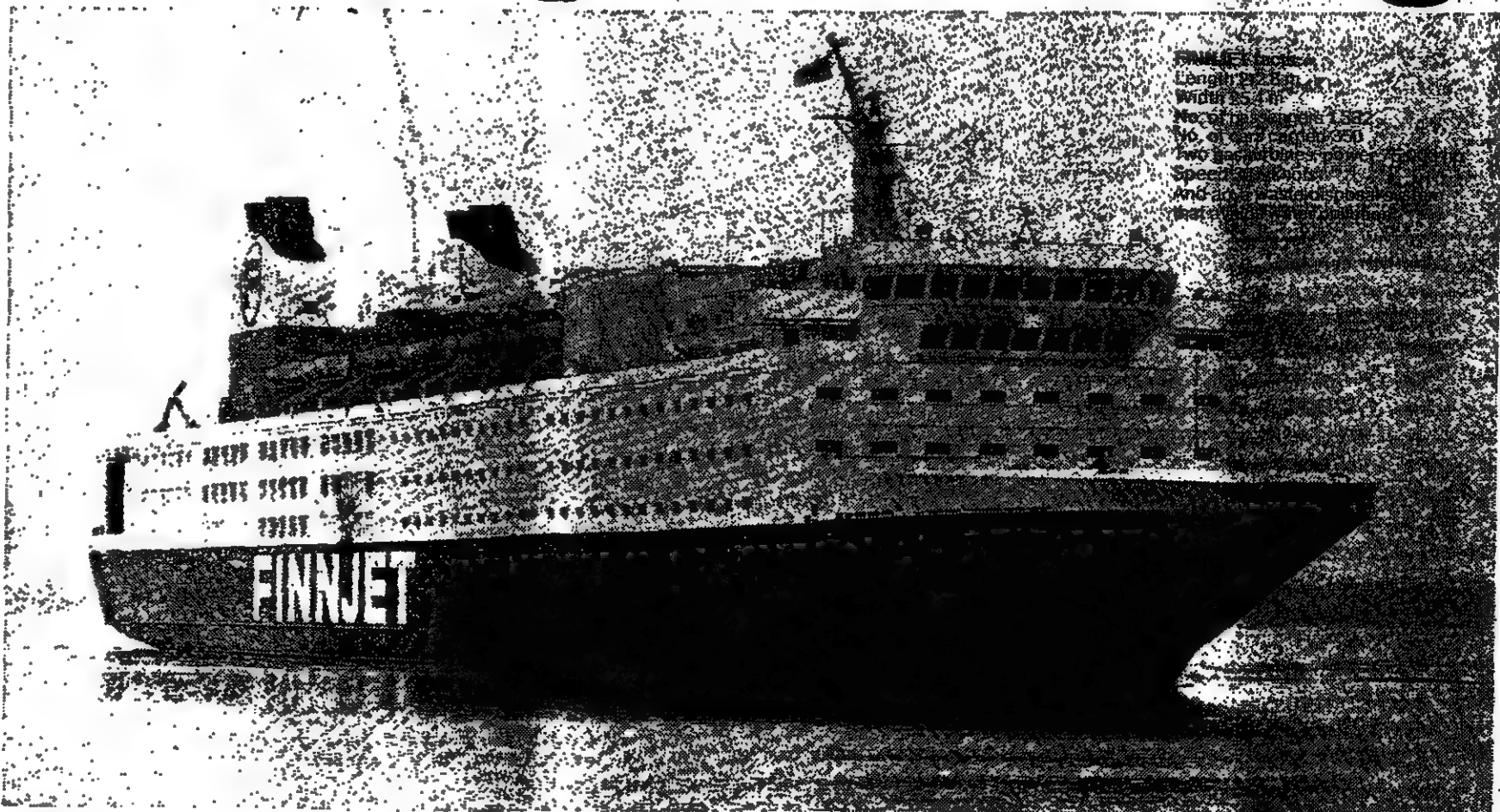
CURRENT ACCOUNT AND THE CONVERTIBLE RESERVES OF THE BANK OF FINLAND



OUTPUT EXPORTS AND CAPACITY UTILIZATION



Finnjet our way of thinking



Wärtsilä are world-famous Finnish shipbuilders. They know more about ice-breakers than anyone else, they also build luxury cruise liners and sophisticated special vessels for the oceans of the world. And now Wärtsilä have built the "Finnjet", the world's biggest and fastest car ferry. The Finnjet isn't just another ship, she is the floating wonder of the Baltic.

This gas-turbine propelled vessel is a sterling example of Wärtsilä's ability to create something new and unprecedented in both technical design and shape. The Wärtsilä philosophy consists of research, planning and execution - with Finnish care and tenacity, plus Finnish feeling for design and technology.

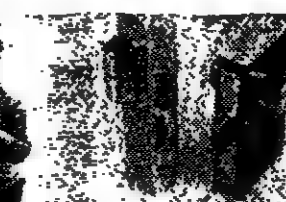
Wärtsilä make a lot more than ships - on the same principle. Innovative thinking and products that function efficiently in addition to looking good are Wärtsilä's mottoes. To build ships is an art in itself. To be able to make more than that and channel one's versatile experience into serving the client's needs is an even greater talent. It means flexibility, capacity and creativity. Did you know this about Wärtsilä?



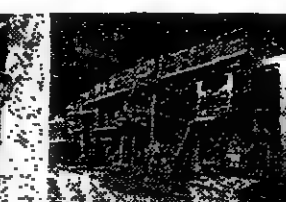
Wärtsilä's glass and porcelain are just as much in demand as its ships. Nuutajärvi Glass is a Wärtsilä company that makes modern, artistically designed art and utility glassware. And Aralia is the name of the Wärtsilä subsidiary that manufactures what is perhaps the most well-known Wärtsilä product, beautiful Finnish stoneware.



Wärtsilä also means security. Etouus Porcelain, also a Wärtsilä company, produce well designed sanitary porcelain products. They have developed a WAC system in which the amount of water used for flushing has been reduced by half. Very important in a world of water shortages!



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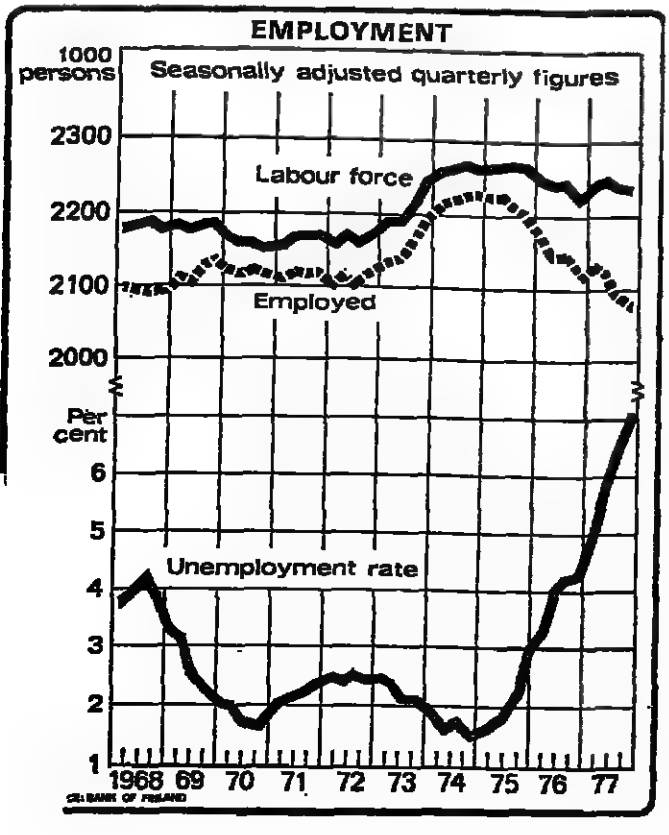
Wärtsilä enamel conquering new territory. Järvenpää Enamel makes more than just beautiful, durable kitchenware, washbasins and other sanitary enamel products are now on the market. Again the result of good planning and design, the same thinking that goes into building famous ships.



Wärtsilä know how to save energy. Wärtsilä's Vasa Factory specializes in energy-generating and saving diesel engines and power plants; these are entirely the result of the company's own development programmes and innovations. Sales show that the world has recognized this.

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Forest industry still struggling...

THE FINNISH forestry industry is still struggling to pull out of the recession into which it plunged in 1975. Government concern about the country's largest net export earner was finally awakened last year and resulted in a number of measures, including devaluation, to help the mills. The industry has sold more abroad during the first four months of this year but prices are still low for many grades. Mills continue to run well below capacity and most companies are again postponing hope of returning to profit until next year.

The picture is not all black, however, and is definitely more encouraging than a year ago. On the positive side is the cumulative effect of the three Finnish devaluations between April 1977 and February this year, which have boosted the Finnish incomes of the pulp and paper mills. Shipments are increasing in volume and the cuts in social security charges and taxes have eased the companies' financial position. The industry itself has been trimming costs, shedding labour and raising efficiency.

Against this must be ranged the fact that after making losses of just over FM 2bn (£256m) in 1976 and FM 2.4bn last year the industry expects a third annual loss which could approach FM 2bn. This means in effect that no or very little depreciation provision will have been made for three years and the companies' indebtedness has soared.

Big investments were made at the beginning of the decade, giving the industry a modern production apparatus, and so long as capacity is under-utilised there is no call for further major investment. But if the companies cannot start pulling in the profits again soon, an essential Finnish industry will run into the ground.

Other uncertain factors include the performance of the dollar. The dollar exchange rate is vital for about a third of forestry industry exports, including pulp and kraftliner, and any weakening in the U.S. currency eats away the advantages gained by the Finnish devaluations. Then there is the relatively sluggish improvement in demand from the Finnish mills' traditional markets in Western Europe.

A substantial part of the recent increase in export volumes has been the result of determined marketing efforts in new areas but these will not be large enough to replace the British, German and other Continental buyers. The EEC countries took close to 60 per cent of Finnish forestry industry imports last year.

These are general remarks and the detailed picture shows much greater variations in performance and profitability. The sawmills did appreciably better last year. The newsprint and nearly all printing paper manufacturers were making money, even if the newsprint mills are still looking for more orders. The weakest products continued to be chemical pulp, the kraft papers, fluting and boxboard. Some companies have a more favourable product mix than others.

Overall, production in the forest industry rose by just

1 per cent last year, a meagre result after the hopes that had been placed on a real boost in demand in 1977. The pulp and paper mills are estimated to have been looking at 71 per cent of capacity, a couple of points lower than in 1976, partly because of the destocking to which companies resorted last year and partly because of the increase in pulp capacity as new mills planned in the early 1970s came into operation. Utilisation in the paper mills increased slightly.

Forest industry exports totalled just over FM12bn (£1.5bn) last year, an increase of almost 17 per cent in value but only 5.4 per cent in volume. The destocking that took place last year is most vividly illustrated in the pulp statistics. Total chemical pulp output in Finland fell by 6.8 per cent while the export volume rose by 9.6 per cent. However, the collapse in pulp prices meant that the value of the pulp exports increased by no more than 1.6 per cent in 1977.

Finland's market pulp exports accounted for only about 15 per cent of the industry's overall export value last year but the pulp looms large in the calculations of the European paper makers. Capacity utilisation was only 64 per cent, with actual deliveries coming up to 79 per cent of capacity as stocks were run down to just over 300,000 tonnes at the end of the year. In the autumn the Finns joined the Swedes in finally recognising the market pressures occasioned by the cheap North American pulp flowing into Western Europe and cut their prices. The lead price of chemical sulphate pulp tumbled from \$410 a tonne to \$320-\$330. At those prices the mills are making substantial losses.

Growth

However, Finnish pulp has experienced a growth in overall demand and the pulp salesmen have been able to start recapturing lost markets. Finn-cell, the sales organisation for the Finnish pulp mills, has been working overtime and with considerable success, considering the poor market position. It has increased sales outside Europe in almost all areas, including Japan and the Far East. The total volume sold is still less than in the late 1960s or early 1970s but the Finns are selling to many more countries than before.

Preliminary figures for the first four months of this year also indicate that the Finns are much closer than the Scandinavians to the Swedes and Norwegians, to regaining their share of the Western market. The combined Nordic share of that market in 1973 was 67 per cent, with the North Americans supplying the remainder. Last year, Canada supplied 32.6 per cent and the U.S. 12.9 per cent of West European chemical paper pulp imports, leaving only 54.5 per cent for the Nordic mills. However, the Finns were already back to their 1974 share of what was still a very sluggish market. The Finns also have more than 700 tonnes in 1976 to pulp to sell. Two new mills, Metsä-Botnia and Veitsiluoto, came into operation last year. The potential capacity of market pulp (that available for sale to outside customers) is now 2.4m tonnes a year with a practical capacity allowing time for the new mills to reach full operating efficiency, of around 2m tonnes this year against 1.8m tonnes last year. The Finns produced 1.3m tonnes of market pulp last year and sold just under 1.5m.

The crucial issue now is price. Despite the devaluation and because of the parallel fall in the dollar rate the Finns, like the Swedes, need a substantial increase in pulp prices to restore earnings. The first quarter results of the North American companies suggest that their profits are at last being squeezed by current prices. Finn-cell believes the market has been firming since the end of February and both in Finland and Sweden pulp manufacturers have been toying with the idea of raising the list price again. They will not get a profitable price this year however.

The paper and board makers will also have little to shout about from the profit point of view this year but the situation is slowly improving. Allowing for their greater variety of products their position is very similar to that of the pulp makers. The total sales volume of the paper mills increased by 5.6 per cent last year but was still 15 per cent below the 1974 level, while capacity was about 10 per cent greater than in 1974. Capacity utilisation averaged 77 per cent, with full production being achieved only in coated wood-containing printing paper.

In many grades last year's increase in sales derived from other areas than the vital West European market. The EEC countries, for instance, took 57.3 per cent of total Finnish paper exports, compared with 60.7 per cent in 1976. Prices improved enough, however, for a 5.6 per cent volume growth to give a 17 per cent increase in export income to FM 4.8bn for Finn-pap, the marketing association responsible for about 90 per cent of Finnish paper sales.

The newsprint mills operated at 72 per cent of capacity last year but a new machine has come into use and the target of 80 per cent capacity utilisation this year may be too optimistic. The mills are still short of orders and demand from Continental and British buyers has not yet returned to normal. But a price rise was possible last year and newsprint is not one of the loss-making grades of the forest-making industry. On the other hand, the mills are making heavy losses on kraft papers, where there is considerable over-capacity, strong competition from Scandinavians and prices are controlled by the U.S. manufacturers. The Finns have welcomed the move by the EEC Commission to establish a minimum price.

In their search for new markets the Finns scored two minor successes on the U.S. last year; a small retailisation of European chemical paper pulp for North American ethnic imports, leaving only 54.5 per cent for the Nordic mills. However, the Finns were already back to their 1974 share of what was still a very sluggish market. The Finns also have more than 700 tonnes in 1976 to pulp to sell. Two new mills, Metsä-Botnia and Veitsiluoto, came into operation last year. The potential capacity of market pulp (that available for sale to outside customers) is now 2.4m tonnes a year with a practical capacity allowing time for the new mills to reach full operating efficiency, of around 2m tonnes this year against 1.8m tonnes last year. The Finns produced 1.3m tonnes of market pulp last year and sold just under 1.5m.

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Money grows on trees

There's one certain way of making money out of trees.

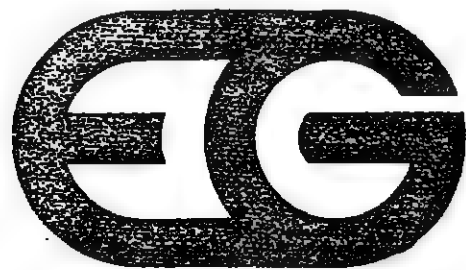
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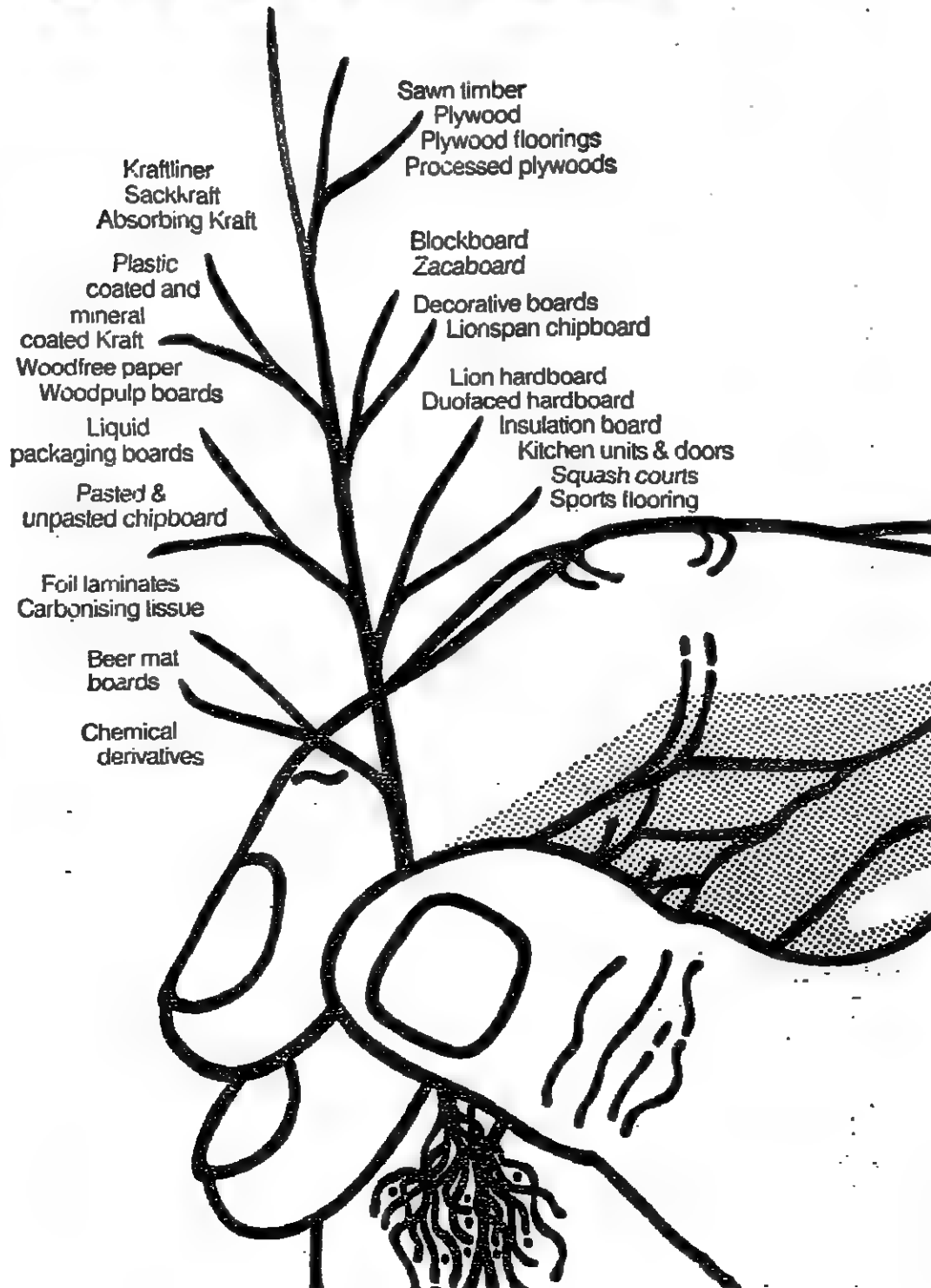
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FINLAND V

...and machinery makers fight for their share

IN ORDER to pay reparations to the Soviet Union after the war the Finns had to build up an engineering industry almost from scratch. It was natural for them to concentrate on branches where they had previous experience. One result was the development of a pulp and paper machine manufacturing capacity quite disproportionate to the size of the domestic industry and one which has to compete on export markets with such giants of the business as America's Beloit and West Germany's Voith.

The Finns estimate that they have close to 15 per cent. of the world market for pulp and paper machinery and they are now engaged in a very tense struggle to maintain that share. There is currently a considerable over-capacity on the world market, as the economic recession has curbed investment in new pulp and paper mills, and the Finnish manufacturers suffer like the rest of the Finnish industry from high domestic cost levels which hamper their ability to compete in price. This problem was vividly illustrated last year, when Voith succeeded in selling a paper machine manufactured in Brazil to a Swedish customer.

The Finnish manufacturers comprise three main suppliers. The TVW group links Tampella, Valmet and Wärtsilä, and produces chiefly paper machines. Rauma-Repola concentrates on pulp-making equipment, in which it has probably been the biggest in the world over the past decade. The Ahlström company has a long-standing co-operation agreement with Karlstads Mekaniska Verkstad, belonging to Sweden's Axel Johnson group, and with Myrens Verkstad, which forms part of the Norwegian Kvaerner group. These three market both pulp and paper machinery through the Kamyr company, in which they have equal shares.

Established

Traditionally the Finnish manufacturers have been well established on the expanding Soviet market, where, however, they are now meeting tougher competition from the Russians' own engineering plants and from other suppliers. They are defending their positions partly by co-operating with the Soviet engineering plants (and this includes the possibility of joint tendering for third country contracts) and partly by obtaining a larger share of the bilateral trade. The Russians are now expected to order equipment worth some 300m roubles in the 1981-85 period from the Finnish pulp and paper manufacturers compared with the something over 200m roubles agreed on in the five-year agreement covering 1976-1980.

The Finns' other main markets have been Scandinavia, North America and Western Europe and they estimate that the bulk of their sales will continue to be made in these areas. At the same time they are energetically looking for new markets, particularly in South America and the Far East. Jaakko Pöyry, the Finnish group which has become the leading world consultant to the forest-based industries, estimates that 75-80 new paper machines will be needed in the South America over the next

few years, some 60-70 of them going to Brazil. The Finns have not been as quick as Voith to spot this market, but all three main manufacturers are now moving into Brazil.

On the product side, again under the inspiration of Jaakko Pöyry's research, the Finns are developing a dual approach. They have traditionally concentrated on the production of very large sophisticated high-speed units designed to meet the requirements of the pulp and paper exporting countries. They will continue to try to maintain their lead in this type of equipment, but are simultaneously designing smaller and simpler machines for use in developing countries. They are also seeking to adapt to the demands of the more advanced developing countries by co-operating with local engineering companies which have the capacity to supply the basic constructional and rough engineering equipment for the pulp and paper mills.

All the Finnish manufacturers suffered from a lack of orders in 1977, although the TVW group collected some important contracts in North America. The devaluation of the Finnish markka, however, improved their competitiveness and order prospects look somewhat brighter this year. Rauma-Repola and Ahlström have won contracts for deliveries to the big new sulphate pulp mill being built by the South Koreans and Ahlström's offshore department is currently very busy with bids for re-building and modernisation contracts. Many pulp and paper companies now appear to recognise the cash-flow advantages of modernising existing plant, which often means a production stop of only a couple of months, compared with building a completely new mill, which would give no production for 18 months or so.

Two recent strategic moves have been the TVW group's decision to invest in a manufacturing unit in Brazil and Rauma-Repola's co-operation agreement with Beloit. TVW is contributing 47.5 per cent of the \$15m investment in an engineering workshop employing about 600 people and capable of producing the whole range of TVW paper-making equipment. Its partners are the Brazilian Pilaio group and the Brazilian investment company Brazilinvest. This will be TVW's first manufacturing venture outside Finland but it is developing a global sales strategy with licensing arrangements already concluded in West Germany, France, Japan and Spain.

TVW's three partners offer a complete paper-making range but are concentrating their sales pitch on some technically advanced new products. There are the Arcu former machines developed by Tampella and Valmet's Syn-Former range of twin-wire units, for which eight orders have already been received. The latest delivery was to Nordland Papier GmbH of West Germany. The former equipment is complemented by the coating machines developed by Wärtsilä, for which 14 orders have so far been obtained.

Rauma-Repola's agreement with Beloit joins the world's largest paper machine manufacturer with the world No. 1 in pulp machinery and thus represents a natural marriage. The agreement covers South and

North America and provides for future joint marketing in the developing countries. In South America, Rauma-Repola and Beloit are trying to penetrate a market dominated by Voith and the Japanese. They plan to set up a manufacturing base on a 30-acre site at Campinas, North of São Paulo, with a Brazilian partner, Montero Aranha, which will have a 51 per cent share in the undertaking. A Government permit for this project is expected later this year.

Licence

The agreement also gives Beloit the right to manufacture Rauma-Repola pulp machinery under licence in the U.S. and Canada and exclusive sales rights in North America and Mexico. It therefore organises the whole continent for the two companies and provides Rauma-Repola with a way past the U.S. and Canadian import duties on pulp and paper machinery, which have become a severe burden for the high-cost Finnish manufacturers. Rauma-Repola has averaged sales of pulp machinery of about \$100m a year over the past decade, but after the boom in pulp mill investment at the beginning of

the 1970s petered out, it is looking hard for new orders.

Ahlström has made an unheralded entry to the Brazilian market through the Kamyr group, which has had an engineering shop for cooking, washing and bleaching systems in operation there for the last eight months. Kamyr claims to be the world leader in the production of such systems. The group, which had rather disappointing sales of SKr 100m (\$21.8m) last year, has concentrated on producing pulp equipment designed to reduce energy consumption and to meet stringent environmental requirements.

Last month (Ahlström) notched up orders for the re-building of three paper machines, two from domestic customers and one from West Germany. This was a welcome indication that prospects may be improving. Last year some 70 per cent of the FM 668m sales made by the company's engineering division came from pulp and paper machine deliveries but the figure will be lower this year because of the decline in the order intake in 1977.

Ahlström has probably gone furthest of the Finnish manufacturers in co-operating with

the Russian producers. It has been involved in joint bids with the Russians in Czechoslovakia and Bulgaria but its experience so far has been that considerably more work needs to be done on solving the practical problems involved in such co-operation.

The Finns have for some time been convinced that the Continental paper-makers will be forced into modernisation programmes which would in turn open up opportunities for Finnish equipment. These hopes have not yet been realised but the Finnish pulp and paper machinery manufacturers have been preparing their positions in territory which has been previously dominated by other suppliers.

In France TVW has made a licensing agreement with Allmand, and Ahlström bought a 68 per cent share in Pierre Hansen in 1976 with the idea of being ready for the restructuring and expansion of the French paper industry. The Finns also have an eye on recent investigations into the wood resources of West Germany, Austria and Switzerland, which indicate that potential supplies are much larger than previously estimated.

W.D.

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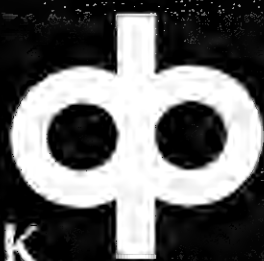
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Forest

CONTINUED FROM PREVIOUS PAGE

12.4 per cent in volume and 26.3 per cent in value over the corresponding period in 1977. But there are strong reservations to be made about these figures. Deliveries were exceptionally low at the beginning of 1977 and the average monthly rate of shipments in the first quarter was no higher than the monthly average for 1977 as a whole. Some prices have been improved but in the wood-free grades, in which the Finns badly need price increases, there is little hope until the chemical pulp price has been stabilised.

The sawmills did much better last year, increasing exports by 2.9 per cent, which brought the volume back to 83 per cent of the 1973 level. The higher prices obtained at the start of the selling season meant that the value of sawn goods exports rose by as much as 39 per cent, but prices fell again in the autumn and prospects for this year are more doubtful. The wood panel industry—plywood, article board and wallboard—is still in the doldrums. Both production and exports declined again in 1977 and this branch has been the most severely hit of all by the four-year recession.

In general the Finnish forest industry is on the way up again at the rate of progress is

tantalisingly slow. There should be a further increase in exports this year, probably larger than the 5.4 per cent achieved in 1977, and the combined effect of the devaluation and firmer prices in some grades should provide an even larger growth in income. To judge by the first four months prospects for the pulp mills are promising.

But the cost structure of the industry as a whole continues to be a fundamental weakness. In spite of the successive devaluations and the labour shedding rationalisation at the mills the cost/price balance has not yet been restored. Strenuous marketing was responsible for a large part of the increase in export income last year and the industry is still waiting—for the third year running—for a real improvement in demand from its main West European markets. Its short-term prospects are also tied to another outside factor, the performance of the U.S. economy and the movement of the dollar. At home it has to rely on the Government—and any new Government formed after the general election—persisting with the industrial cost-reducing measures it initiated last year.

W.D.

FINLAND VI

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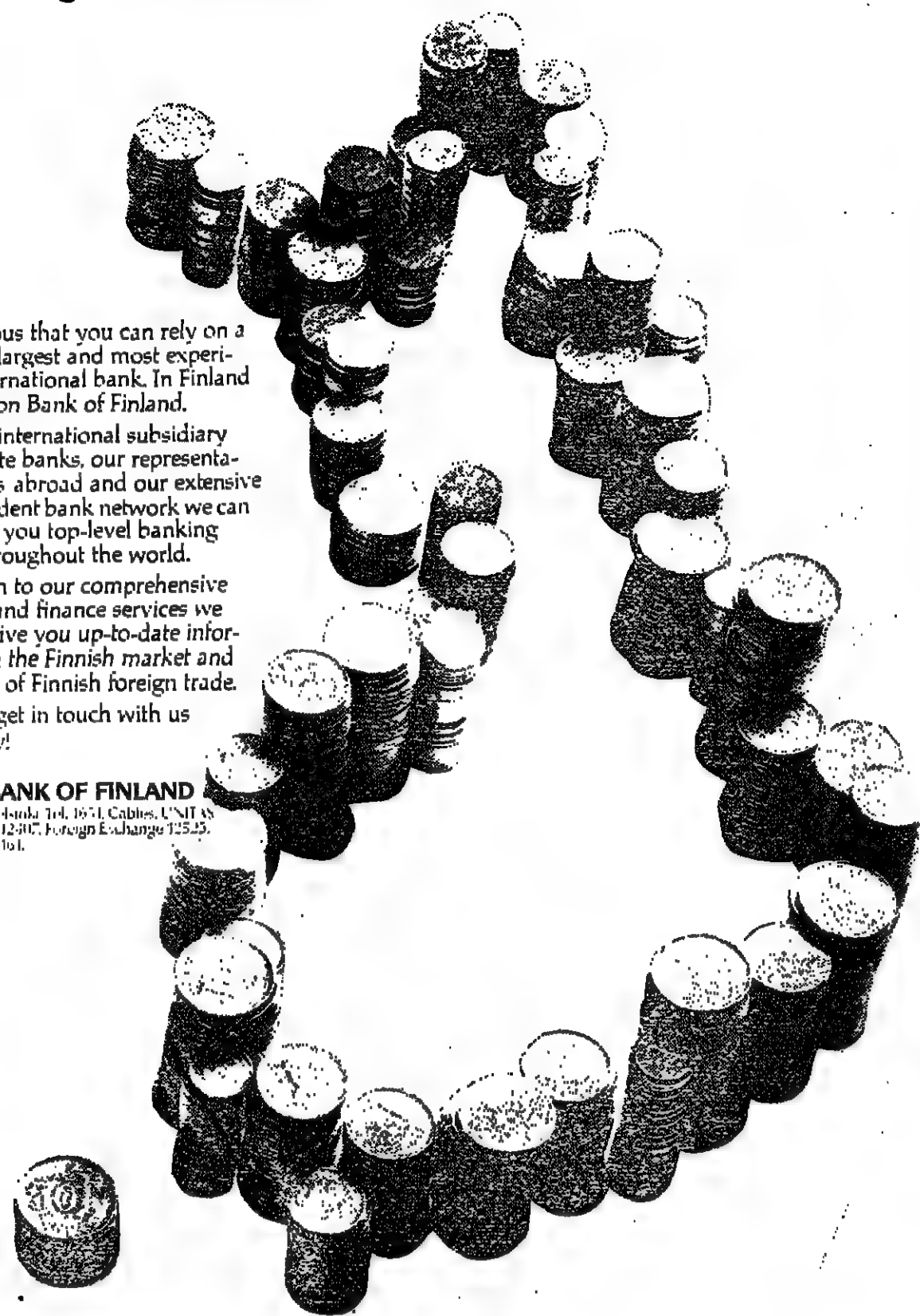
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Sir James Cable

British Ambassador to Finland

Sir James Cable said: "It is rewarding to experience the intense interest taken by the Finns in everything that is British: our language, our literature, our traditions, even our politics. Of all the many reasons, some of them stretching back into the past, for this interest, I want to mention in this connection only one—trade."

"Everyone knows the importance to Finland of the British market. Britain was for long Finland's largest customer, slipping to third place only during the last three years. But Britain still provides a bonus unmatched by any other of Finland's trading partners—a regular annual surplus on the balance of trade amounting to £250m. Britain also buys more from Finland's staple industries—wood and paper—than any other country."

"What is often forgotten is Finland's importance to Britain: eighteenth on the list of our overseas suppliers. As a customer it was only in 1978 that Finland dropped out of the top 20 British export markets: only in 1977 that Finland did not buy more from Britain than did the Soviet Union. Even today Finland ranks twenty-second among overseas customers for British goods, higher than such traditionally British-oriented countries as India or New Zealand."

"In 1977, the 5m Finns bought twice as much from us as did oil-rich Libya; four times as much as the 120m people of Indonesia; more than five times as much as the 900m people of China."

Sir James concluded: "This trading relationship was once even more important to both countries. In the early fifties the British share of Finnish imports was 30 per cent. Today it is only 9 per cent, itself a slight improvement on the ratio I found on my arrival in 1972. I want to see that share further increased. British exporters have an enormous advantage: English is now the second language of Finland. Sales require only the right price, quality and delivery date—and of course the simple pleasure of a visit to Finland. Today, when Finland is beginning to emerge from depression, is the day to start."

L.K.



Sir James Cable

Richard Totterman

Finnish Ambassador to Britain

"The name of the game is diversification," says Finland's Ambassador in London, Richard Totterman, plucking at a word to describe the way trade between Britain and Finland is presently proceeding. "We need to extend our trading base in the UK beyond the range of pulp and paper products that has tended to dominate the trading exchanges between our two countries."

Round at Chesham Place, SW1, the embassy staff have not quite reached the stage where they feel they can safely uncross their fingers, but it does look as though Finland's policy of creating new markets is beginning to pay dividends.

Despite some erosion in recent years, Britain remains one of Finland's most important trading partners, and in consequence the Finnish Embassy takes an intense amount of care over its commercial relations with the UK. In recent years this has meant the steady promotion of "modern design products" in the furniture, textiles and electronics fields. "Our goods are aimed at the middle to higher income earner. We can't hope to compete successfully in your mass-produced market," explains Mr. Totterman, a 51 year old professional diplomat whose connections with this country go back to his days at Brasenose, Oxford.

He seizes eagerly on Finland's recent decision to purchase the Hawk ground attack trainer aircraft as a prime example of his country's keenness to expand markets here. Aimed specifically at widening trading exchanges, this £100m deal with Hawker Siddeley took several years to set up and involves the purchase of enough Finnish goods by Britain to offset its



Richard Totterman

total cost. Already over two-fifths of the reciprocal buying deals have been agreed. "The Hawk deal is a tremendously important step," says Mr. Totterman, towards further cementing relationships. He is at obvious pains to emphasise the significance of the trading spin-offs that can be expected from the contract. "At every level we are aiming at a diversified market."

J.B.

Helge Haavisto

Managing Director Rautaruukki Oy

Mr. Helge Haavisto, managing director of the big steel-making company Rautaruukki Oy, looks for increasing diversification in Finnish-British trade. "Economic relations between Finland and Britain have long traditions," he said. "Britain is an important supplier of machinery and equipment to Finland, and for Finnish timber and products of the wood-processing industry the British market has always been important."

"The shaping of the main lines of the trade was far from accidental: it was based on the natural resources and the technical skills of both countries. However, our trade is today a

great deal more diversified than what I have just said would suggest. Yet I think that there are still many opportunities for increased trade between Finland and Britain. One possibility of this kind is increase co-operation in the industrial sector in both countries, either in their own markets or in third countries."

"We are very well aware of the technical and physical potential of the British metal industry to carry out large and exciting projects, but we are also convinced that Finland today could offer many advantages that would be useful to the British. I myself represent a steel company but for more than 10 years has maintained very close connections with the British steel industry and the mechanical engineering branch of the sector. We have acquired from Britain, inter alia, three rolling mills with equipment."

"From my own practical experience over many years I can state that our co-operation with the British has been smooth and, what is more important, the plants we have built have proved to be technically first-rate. Over all these years I have admitted the way the English have handled affairs and I would also say that the co-operation has brought me good personal friends."

L.K.

Nils G. Grotenfelt

Chairman of the Finnish-British Trade Association

Oy Tampella AB is one of the largest conglomerates in Finland with interests in the forest industry, engineering and textiles. The president and chairman of the board of management is Mr. Nils G. Grotenfelt. He is also chairman of the Finnish-British Trade Association. Here are his views of the British link.

"Finnish-British trade relations have developed on natural foundations. Who can fail to remember the butter ships of the first decade of our independence, or forget to note the island kingdom's great need of processed wood-based products, or our small country's desire for the excellent products of the British machine, car, clothing and luxury goods industries?"

"But if we are honest, we must say that the honeymoon is over. The decades since World War II have brought harder competition and more ruthless methods. We are no longer the only ones to discover Fleet Street. Butter flows cheaper from Continental Europe and New Zealand. Our own engineering and clothing industries have grown enormously and account now not only for a large part of our domestic consumption but also sell on the world market, not least in Britain."

"Both parties aim consciously in the spirit of the times towards increasing volumes, and not even the wonderful time of EFTA could continue for ever. It was soon followed by the Common Market which at least for us was more troublesome and difficult. This has often occurred at the cost of profitability and price levels, and has been followed by more or less serious economic crises which have further complicated normal trade."

"Whatever problems may arise in Finnish-British trade, one thing is certain. For us, over the years, one of the big points for Finnish industry and trade has been British fair play and the open attitude, often tinged with humour, to all problems and situations. This makes the trade both an educational and positive field for those who are able to participate in it."

L.K.

Jarl Kohler

Head of UK operations of the Finnish Paper Mills Association

First through EFTA and then via agreements with the EEC, Finland has to pay on its exports to the EEC.

In this country Mr. Kohler's up hill struggle to keep his sales budgets in trim has been hampered almost as much by Fleet Street and its troubles as by economic recession. Of the 750,000 or so tonnes of paper and paper-related products that Finland hopes to sell here this year, 350,000 tonnes will be in the form of newsprint, with magazine types of paper accounting for a further 200,000 tonnes.

Falling circulations, strikes and a general tendency in recent years for the U.K. publishing houses to cut back newspaper sizes have all been part of the process of regression that Kohler and his team (there are sales outlets in Manchester, Edinburgh and Bristol as well as London) have had to survive.

However, Mr. Kohler feels that this year will see his industry turning the corner. "We have to concentrate very hard in order to maintain our market share. Competition is keen but there should be plenty of room for everyone."

J.B.

For the world's most discriminating TV-audience

The most modern and highly-automated colour picture tube factory in the world is now nearing completion in Finland. Production at the Valco Oy plant will begin this summer. In the initial stage output will be 400,000 picture tubes annually, and will double as the plant enters the second stage in 1980.

Valco Oy has purchased 3 million pounds worth of machinery and equipment for its plant from Britain. Some key components for the colour picture tubes will also be purchased in Britain.

Valco will apply high-quality Finnish workman-

ship to production of thin-neck picture tubes equipped with in-line electron guns. These tubes represent the most advanced technology. They achieve a sharper picture and truer colours. The self-converging deflection yoke and the picture tube are integrated to offer improved convergence and reduced power consumption, which in turn lengthens the life of the TV-set.

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FINLAND VII

Shipyards sense harder times ahead

FINNISH shipbuilders, while unable to escape the worldwide recession in the industry, have for a number of reasons managed to maintain a comparatively high level of production in the past year but there are now fears of more difficult times ahead.

The most favourable factor for the shipbuilding companies, most of which are highly diversified, is clearly their specialisation on vessels which have proved less susceptible to peaks and troughs of demand. Few yards have been dependent on large tanker orders.

At the same time, under Finland's long-term trade agreement with the Soviet Union, shipbuilders have been virtually assured of a steady flow of orders from that source, although these are not sufficient to create full employment.

The industry is closely linked through its member companies to the engineering industry, and its vessels are notable for their high quality and advanced technology.

Specialist vessels built recently include shallow draft tankers, heavy lift vessels, oceanographic research ships, barge carriers, LPG tankers and icebreakers, a major success for some years.

Considering the state of world markets, deliveries by Finland last year were satisfactory, with a total of 35 vessels valued at FM 2.5bn handed over. 20 of these going to the Soviet Union, eight to European countries and the remainder to developing nations.

Since the end of last year, however, the position has deteriorated considerably, making it clear that there will inevitably be a further reduction in the workforce before the winter. Orders at the start of this year amounted to FM 5.5bn

compared with FM 7.4bn 12 months earlier.

Again the order books are dominated by the Soviet Union, which intends to buy 70 new ships and three drilling rigs (53 per cent of total orders against a share of 36 per cent for European Free Trade Association and European Community countries).

Difficulties have also been created by the uneven spread of orders among the yards, with some of the larger ones facing critical shortages of work. Already shorter working weeks have been introduced and some natural wastage is taking place.

The industry has nevertheless avoided the need for Government aid until recently, when one of the three major shipbuilders, Wärtsilä accepted a sum of FM 70m to enable it to take an order from a Finnish shipowner which would otherwise have gone abroad. Further assistance of this nature now seems likely.

Aid

A Government-appointed committee on shipbuilding and its future, with members from the civil service, the Bank of Finland, and shipbuilding management and unions, has warned that the industry will require State aid during the next two to three years in order to retain labour.

As an interim measure State organisations, such as the Administration of Posts and Telegraphy and the National Board of Navigation, have been allowed to accelerate planned vessel purchases. For the 1980s the committee has recommended that the industry must be adapted to suit international demand, and it is assumed that the present workforce of around 17,000 people will have to be reduced to about 14,000.

The committee has also given its blessing to current trends within the industry, namely further concentration on the Soviet market and continued production of special vessels in small duplicate series with a high input of advanced technology.

Already a great deal of importance is placed on research and development leading to new products, such as integrated transport systems, floating factories, power plants and hotels. There has also been considerable activity in offshore equipment supply, and a number of drilling rigs have been sold. Expertise in Arctic water vessels has already been well utilised, mainly in the supply of icebreakers.

Valmet, a State-owned and highly diversified company which had sales of FM503m in its shipbuilding group last year compared with overall company sales of FM1.7bn, is equally worried about its order position.

The last ships on the company's order books are due for delivery in 1980, but if no new orders are received employment problems will begin to appear later in the second half of this year, with the delivery of the second 153,200 dwt tanker for the Norwegian shipping company A. F. Klavness and a barge carrier for the Soviet Union, both nearing completion.

Valmet, like other companies, is planning its hopes on improving price competitiveness and hoping for Government measures for the support of shipyards. These, it says, will evidently be needed in Finland, as has been the case in other Western countries.

New orders received by Valmet last year cover only one-third of existing shipyard capacity, although its books at the start of this year showed orders worth FM1.4bn, allowing

the yards to operate at full capacity until the latter part of the year.

This rather better position than many European shipyards is due in large part to continuing orders from the Soviet Union, which has another barge carrier on order and has recently taken delivery of four small ocean research vessels. The long-term trade agreement between Finland and the Soviet Union (on the basis of balanced trade) guarantees Finnish yards work amounting to about 50 per cent of its present yard capacity.

Valmet believes that if no new orders can be secured from Western or domestic markets in the near future, some Finnish yards will have to reduce their capacity. The company recently invested heavily in modernising and moving the site of its Helsinki shipyard and nine for Turku. The company, which has around 50 per cent of Finnish shipbuilding capacity, is facing increasing pressure from other yards for a share of the limited amount of new orders.

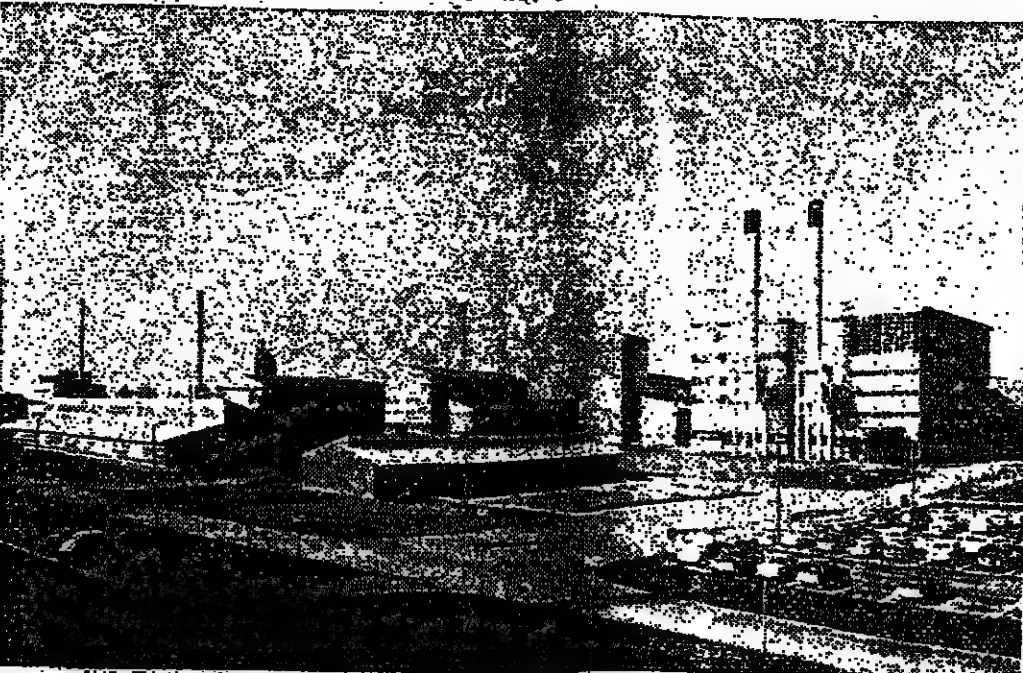
Icebreakers remain Wärtsilä's

mainstay and it recently launched its 40th vessel of this type. By far its best customer has been the Soviet Union, taking half this number followed by 12 for the domestic market, seven for Sweden and one for West Germany.

Its other success has been cruise liners in the 18,000 to 21,000 ton range, of which it has delivered six to Norwegian owners, and with the continued popularity of cruise holidays it expects considerably more business in this sector. In the "low temperature vessel" market, Wärtsilä believes there will be some demand in future for icebreaking tankers and gas carriers, strengthened drilling ships and other applications of its long experience in this field.

The industry as a whole is therefore expecting a period of austerity, and despite the support it continues to receive from Soviet buyers, it cannot escape at least some of the effects of the world shipping and shipbuilding recession. The only uncertainty now is about how long this will last.

L.B.



Fertiliser factory of Rikkhappe Oy at Uusikaupunki.

Chemical industry looks abroad

AFTER A period of rapid expansion the Finnish chemical industry has now had three consecutive years of falling production: plant utilisation by the country's major producer, the State-owned Kemira group, averaged 65 per cent last year.

This reversal was due mainly to a sharp fall in domestic demand for fertilisers, with sales in 1977 some 16 per cent below those of the previous year. The country's output of both industrial and consumer chemicals fell by around 5 per cent.

This poor performance was largely a result of the depressed state of manufacturing industry in Finland, particularly the pulp and paper sector. In addition to the lower demand for chemicals used in the making of pulp and paper, fertiliser used by private forest owners also decreased substantially.

However, the total gross value of production by the member companies of the Federation of the Finnish Chemical Industry was FM 9.5bn, an increase of around 10 per cent on the previous year. Industrial chemicals made up 25 per cent of this value, oil refining 18 per cent and consumer goods 17 per cent.

Growth in the industry's exports, which only really began to expand in 1976 continued last year with value rising by about 36 per cent. This was almost totally based on an increase in volume, however, as price rises were very moderate at around 4 per cent. The value of petroleum product exports nearly doubled in 1977. Chemical imports increased by 11 per cent.

Although Kemira's production of fertilisers and agricultural chemicals has been decreasing in terms of its overall output (from 67 per cent five years ago to about 50 per cent last year) it has plans to take up unused capacity with increased exports, mainly to the developing world. The company opened an office in Mexico City last year.

Foreign business will play a more prominent role in the work of the central administration and nearly all the profit units. Activity over the past few years on technical know-how has shown that suitable markets can be found, the company says.

In the industrial chemicals division a 9 per cent rise in sales last year was recorded, but deliveries of sodium sulphate fell by more than 25 per cent as a result of weak world markets for chemical pulp and technical advances in the pulp making industry, which have reduced the need for the chemical.

Industrial chemicals, however, only amounted to about 8 per cent of the company's turnover. Titanium dioxide, used as a paint pigment, is Kemira's main export product, accounting for about 10 per cent of total world consumption. Fibres and yarns make up a further 18 per cent of turnover, explosives and ammunition 5 per cent and other items including safety equipment another 4 per cent.

Given that Kemira will continue to avoid direct competition with its State-owned counterpart in the petrochemical sector, Neste, it has limited horizons for expansion. Two avenues with potential are exports and fertilisers for the forest industry.

During the early 1970s it was proved that when pulp and paper prices are reasonably high, it is profitable for forest owners to carry out tree fertilisation and this was done on up to 250,000 hectares a year during that period. However, since the fall in prices this figure has fallen to around 120,000 hectares.

and is conducting considerable research into its feasibility in the longer term. Success in this field would certainly offer opportunities in other Nordic forest industries.

The advantage of fertilisation is that it speeds up the growth of the trees, but there has been some opposition from forest owners on the grounds that capital is tied up for some years before the trees have grown large enough for selling. Environmentalists have also voiced concern over the effects on other forest life.

Kemira's raw material imports are mainly sulphur and phosphates, the latter coming from the Soviet Union, and North Africa, but next year it will open its own phosphorus mine in Finland with initial production (after investment of FM 160m) of 2m tonnes a year, only half its total capacity. This will allay fears that supplies from the Soviet Union may be limited in future.

Supplies of ammonia are also bought from the Soviet Union and potassium from both the Soviet Union and East Germany, while sulphur is bought from the Finnish mining company Outokumpu. Plans had been made some three years ago for the company's Sateri division, its fibre producing arm, to develop into the polyester area, but after discussions with Neste this was dropped.

This is a good illustration of the kind of co-operation between the two companies, whose interests could overlap on a number of important production areas, but are in the interests of both kept at a safe distance. Neste last year acquired a 41.5 per cent share in Pekema (in which Kemira has a small stake) and will use the company as a means of developing its downstream chemical and plastics output.

Export

Last year Neste produced 127,000 tonnes of ethylene, exactly the same as the previous year, and almost all for domestic consumption. Sales of butadiene amounted to 15,000 tonnes, an increase of 15 per cent on 1976, almost entirely for the export market. About 3,500 tonnes of propylene were sold, again entirely for export.

The most important of Neste's investment in this sector last year was its propylene unit, which came on stream in late September. It produces polymer-quality propylene gas with a purity rating of more than 99.5 per cent. The capacity amounts to around 90,000 tonnes of propylene a year.

Two investment decisions aimed at further product upgrading were also taken last year. They concerned construction of a benzene plant and of two visbreaker units, aimed at economising on the more valuable fractions used as cutter stocks of heavy fuel oil by lowering its viscosity.

The benzene plant is designed for a production capacity of about 100,000 tonnes and around 70 per cent of investment will be of Finnish origin. The company's engineering department will be responsible for all engineering work on the unit.

However, overall investment in the chemical industry in Finland last year was the worst for many years, and most of those investments which went ahead were made to increase capacity or to add new by-products. In very few cases was new production started.

Notable investments included a recovery plant for carbon dioxide, a joint venture with Nokia and Aga, and Kymmene's enlargements of its chlorine factory. Pekema was active in the petrochemical sector, initiating production of low viscosity PVC pastes, and capacity for glues, resins and

NESTE

Finland's national oil company

REFINING: Neste's output of oil products meets three quarters of the demand in Finland. Total annual refining capacity is 15 million tons.

PETROCHEMICALS: Neste produces ethylene, butadiene and propylene both for processing in Finland and for exports. A benzene unit is under construction and will come on stream at the end of the year. The company is also involved in producing LDPE, PVD and VCM.

NATURAL GAS: Neste imports natural gas and distributes it through its own pipeline system.

SHIPPING: Neste has a tanker fleet of thirteen vessels, two of which are gas carriers. Most of the vessels are designed for difficult winter conditions.

CONSTRUCTION AND ENGINEERING: The planning and building of Neste's two refineries, ethylene plant, power plant, harbour facilities and raw & waste water system have to a large extent been carried out by the company's own Construction Department.

Through these and other integrated functions Neste combines knowledge with practical experience. This knowledge and experience is at your disposal for consultation.

NESTE

Neste Porvoo Works

FINLAND VIII

Banks hold the fort

SOME BARRIERS have been broken down and shibboleths discarded in the past few months in the Finnish banking world. There have been three mini-devaluations and two reductions in the sacred basic interest rate.

Although the economy seems to be improving slightly, the embattled Governor of the Bank of Finland, Mr. Mauno Koivisto, is still trying to hold the fort, which means in reality to prevent a new wave of inflation. What he is up against is excessive government spending and high unemployment, both of which require a considerable increase in foreign borrowing. Mr. Koivisto is determined to keep the money market tight, if not quite as tight as for the past three years.

In a statement issued at the end of May the Governor noted that the surplus in the trade balance and rise in the import of long-term capital have been reflected in a decrease in the debt of the commercial banks with the central bank. The interest rate on the call money market of the Bank of Finland was an average of 23 per cent in January this year, since when it has fallen to about nine per cent. Obviously the money market was getting too easy too fast. Hence, as of June 1 the credit quotas of the commercial banks (that is, their borrowing rights at the basic interest rate) have been reduced by FM 500m to FM 1.4bn (\$180m at the current exchange rate).

But at the same time the banks' right to use the call money market was raised from 125 to 200 per cent of the quota for each bank. In addition, the liquidity margin at which the bank comes under direct control of the central bank was raised from 200 to 300 per cent of its quota. These measures have aroused no outburst from the banks.

As Mr. Koivisto points out, the idea is not to tighten the money market so much as to prevent too strong an expansion of liquidity and to maintain a capability of controlling monetary policy. For companies that plan to make productive investments, the new arrangements should present no obstacle.

It is the reference point that matters of course, but in fiscal 1977 the Finnish deposit banks did not do badly compared with industrial companies. Listed according to balance sheet totals, only two of the top 50 banks showed a loss. The top six — Kansallis-Osake-Pankki, Union Bank of Finland, Postipankki (the State-owned post office bank), OKO Bank, SKOP Savings Bank and Bank of Helsinki — increased their profits by enough to keep them

level with or ahead of the inflation rate of 13 per cent.

This was partly thanks to rationalisation, partly to the success of the fiercely competitive campaigns to attract new deposits and partly to the very strict screening of loan applications. Taking all types of deposits into account, bank deposits grew by 11.5 per cent in 1977. This is less than the rate a couple of years earlier, but respectable in view of the circumstances.

Whether things will go as well this year is an open question. There are two big competitors for the public's money. One is the Treasury, which hopes to take an estimated FM 1.5bn of its loan requirement in the current year out of the domestic money market. The other is the eight companies that are launching new share issues.

Doubled

As the turnover of the Helsinki Stock Exchange had doubled by the end of April this year compared with the first four months of 1977, the new issues may well succeed. The Treasury is offering five-year bonds at 9.5 per cent and ten-year bonds at 10.5 per cent, both interest and principal tax free. The best that the commercial banks can do is 8.25 per cent plus certain premiums for 36-month deposits.

The foreign borrowing requirement is put at FM 3bn (about £390m at the current exchange rate), and in fact may be higher than this before the year is out. This is no small sum to add to the net foreign debt, which stood at FM 27bn at the end of last year, 32.5 per cent of the GDP, compared with 21 per cent at the end of 1976. The foreign debt had risen to FM 33bn by the end of March 1978, and debt servicing costs to FM 1.4bn.

The two mini and two small devaluations of the Finnish markka in 1977 led to a run on the currency in the form of holding back on foreign claims and paying off foreign debts ahead of time. The result was a drain on the foreign exchange reserves which finally ended in the third devaluation of the markka by 8 per cent in February 1978.

To protect its foreign exchange reserve position, the Bank of Finland drew \$300m of its stand-by credits with a consortium of North American banks, leaving \$400m on account. Since then it has restored the stand-by credit position by an agreement with a consortium led by Orion Bank of London for \$200m, and another for \$100m arranged by Scandinavian Bank, Midland Bank and Nordic Bank, all in London. Thus the total stand-

by bolster for the foreign exchange reserve is back at \$700m.

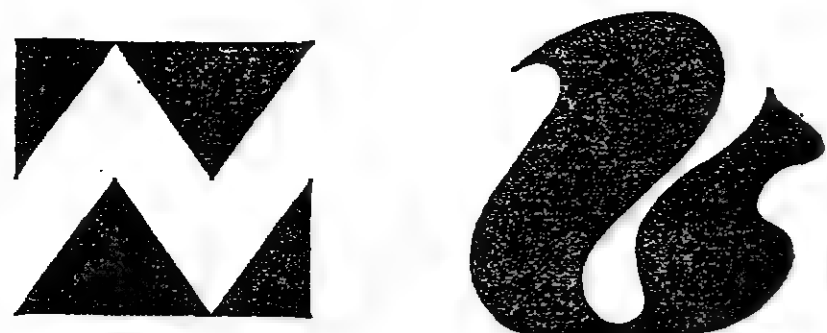
While the banks have accepted the devaluations, they have reservations about the two reductions, each of one per cent, in the basic interest rate. These changes in the discount rate, as it is called, are politically motivated in Finland and unrelated to monetary policy. In fact they were made to appease the unions. They certainly help householders who are living in houses bought with the help of bank loans, but they do nothing to encourage the public to put their spare cash in a bank savings account. On May 1 the basic interest rate was lowered by 1 per cent unit to 7½ per cent, which does not compare well with the rate offered by state bonds.

The biggest economic problem in Finland just now is unemployment, and might be so for the next few years. The rate is around 8 per cent, a level which would have been unthinkable three years ago. But a new reference point must be accepted now. Until the export-oriented industries can really gear up again, unemployment must be taken as a reality. Even now, when the economy is getting into its stride again, there are notices almost daily of lay-offs and redundancies. The result is that the politicians want to spend more and more public money on relieving unemployment, but at the same time pay lip service to cutting public sector expenditure.

This creates problems for the banks. The number of bankruptcies in fairly large-sized companies has been increasing and some of the big banks have found themselves having to bail them out. In effect they have had to take over the invalids temporarily. Under Finnish banking law a bank may not own a commercial company except in conditions such as these, and then only temporarily. Thus, although investment has stagnated and demand for investment credit is slack, the demand for operating loans is higher than ever.

What will happen to the external value of the Finnish markka in the coming few months is uncertain. It is tied to a basket of 16 currencies which have accounted for at least one per cent of the country's foreign trade for the past three years. Visible exports are showing a surplus for the first time in years. The current account deficit has been reduced dramatically. It may be that the future depends on what other Scandinavian countries do about their currency. Finnish industry is still satisfied about its international competitiveness.

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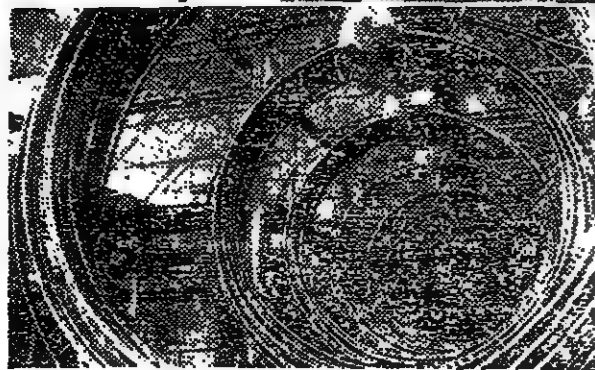
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Metals and Technical Know-How from Finland



Polarit stainless steel coils at Outokumpu's Tornio Works.



Copper tubes at Outokumpu's Pori Works.

Outokumpu produces non-ferrous metals such as copper, zinc, nickel and cobalt, in addition to stainless steel and ferro-chrome. With an annual turnover of about £200m the Company is one of the ten largest in Finland and accounts for about 10% of the Finnish metal industry's total exports. Outokumpu has been processing copper into semi-finished products for nearly 40 years. The company's latest achievement

is the opening of the world's northernmost stainless steel works close to the Arctic Circle. In 1977, the United Kingdom and the United States were

Outokumpu's biggest customers. The most important items exported to the U.K. are copper semi-finished products, zinc, nickel and cobalt. Outokumpu exports technical know-how connected with every stage of the processing chain and all the metals it manufactures. Outokumpu is represented in the United Kingdom by its subsidiary, Reynolds European (London) Limited.

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Engineering needs new orders

THE METAL and engineering industry is taking a pessimistic view of the immediate future. This is not altogether unexpected, since even last year it anticipated that order books would thin out drastically. Oddly enough, the other big earner of foreign currency, the forest industry, is expecting a slight improvement.

But both these major sectors of manufacturing are worried about prices, international competitiveness, profitability and indebtedness. There is no immediate relief in sight. Mr. Erik Forsman, assistant director of the Association of Finnish Metal and Engineering Industries, warns: "All the big new orders are reported in the papers. But when you get down to details they only amount to about 10-20 per cent of the annual capacity for most branches."

Capacity utilisation in the metal sector was abnormally low in 1977, ranging from 60 to 90 per cent. Corporate profitability declined, the debt ratio (internal to external capital) was alarmingly high in many companies, there was considerable overmanning in some branches and several companies ran at a loss in 1977. The three devaluations of the Finnish markka since February 1977 were at first received with mixed feeling in the metal sector because they raised the price of imported raw materials and semi-manufactures, and the import input in this sector is relatively high. However, the association now reports that on the whole companies and branches felt that

they had gained some benefit in sight in this line.

The engineering branch is more dependent on the home market than the forest (ratio about 60:40), unlike the forest industry. Because of the lack of substantial new orders there has been a slump in demand and the incentive to invest is weak because of the idle capacity. In the past foreign demand has come to the rescue but now even this source has failed.

Completed

There are now nine paper machines on order for foreign buyers but they amount to only one year's production. What is worse, four of the deliveries will be completed this year. Three of the orders are for the U.S., another three for the Soviet Union. Sweden and Holland are taking one each. Inside Finland most investment is being confined to maintenance and modernisation projects, and from the trade point of view these are relatively small.

On top of this, in the mechanical wood-processing industry there are three major deliveries in progress. The two for the Soviet Union will be delivered in 1979, and the third is a chipboard plant for East Germany. New orders have recently been received from South Korea and Norway. All this is encouraging but not enough. Outside wood-processing machinery, the major metallurgical project for the copper-nickel smelter complex in Norilsk, Siberia, will be completed this year, and there is nothing new

in sight in this line.

The order position is perhaps best illustrated by the index developed by the association. Taking 1974, the last boom year for Finland as 100, the situation in 1977 was as follows: metal products 53, engineering including transport equipment 62, electrical machinery 73. For the whole group the index has fallen on average to 69. The corresponding 1977 figures for exports read 74, 69 and 125 respectively, an average of 78. In short, the new orders coming in are filling the gaps only temporarily.

For all that, the export performance of the metal and engineering sector in 1977 was not bad. Sales rose to FM 11.3bn (£1.48bn at the December 1977 rate of exchange). This was thanks mainly to the completion of major long-term deliveries, but also to deliveries to some new market areas.

The forecast for 1978 is an increase in value to about FM 13bn and for 1979 a further slight rise to somewhere around FM 13.6bn. These improvements will be at least in part the result of the three mini-devaluations of the Finnish markka in the past 12 months. The regional distribution of exports is not expected to change essentially in the near future. In 1977 Comecon (and that means predominantly the Soviet Union) took 34.8 per cent of the total, EFTA 27.9 per cent, the Common Market 20.8 per cent, and other countries 16.5 per cent.

Exports seem to be one of the

CONTINUED ON NEXT PAGE

FINLAND IX

Enjoying life despite the climate



Oy Kaukas Ab's super calendar paper mill.

Engineering

CONTINUED FROM PREVIOUS PAGE

bright spots in the gloom setting the engineering industry but even as they stand at present they cannot solve the problems in the longer term. The industry has been working on a heart-searching analysis and the main requirements for a solution to the present difficult conditions. These cover the domestic and the export market.

Perhaps the top requirement is within Finnish control tax relief. The present turnover tax raises the price of investment goods by 16 per cent and weakens competitiveness accordingly. As part of the so-called stabilisation-stimulation programme, this tax has been temporarily rescinded until the end of this year for new productive investments—but the measure is only temporary. Industry has been lobbying for a change to the VAT system but the Left-wing parties will not hear of it.

Another requirement is that the state improves the ability of Finnish engineering companies to grant credit terms.

That are at least as favourable as those offered by their competitors. Within the industry manufacturers in Japan, West Germany and France. Rauma-

rationalisation and diversification of production but this requires capital which is still in short supply and likely to remain so for some time.

New ideas are being developed—and in part have already been implemented—in the export field. The thinking is that there should be some re-orientation, a move away from the old markets which have long had similar economic problems to those of Finland towards new markets. Examples are Brazil, the oil-producing countries and South Korea.

Barriers

The TVW (Tampella-Valmet-Wartsila) paper machine group recently announced that it will be opening a factory in Brazil where, because of the high tariff barriers, the market has hitherto been a relatively closed one. It is going into partnership in the new venture with the Brazilian Pilao group and the investment company Brasilinvest. The Brazilian partners will hold 52 per cent of the shares.

The TVW, already has co-operation agreements with Japanese manufacturers in Japan, West Germany and France. Rauma-

Repola Oy will be co-operating with Beloit in Brazil to build a plant to supply pulpmaking machinery in that market. Rauma-Repola also signed a contract recently to supply a complete pulp mill to South Korea where, in co-operation with Outokumpu Oy, it is already building a copper smelting plant. In short, export sales are to be intensified by establishing sales, maintenance and manufacturing units in the main and most promising markets.

Finally a few words about the electrical engineering and electronics branches, which account for about 15 per cent of the total value added of the metal and engineering sector. The electronics branch—radios, TV sets and tubes, and telecommunications equipment—seems to be fairly buoyant. But with all the debate about energy savings the heavy electrical industry—electric motors, generators and transformers—cannot be too happy about the future. Orders are not coming in fast enough, especially as most of the major conventional and nuclear power plant projects are nearing completion.

L.K.

"FINLAND IS a beautiful and wonderful country, but hell's bells, just try living there." So goes an old Finnish saying. Well, this writer has tried for close on 32 years, has survived, and has enjoyed it. Not all of it, but most of it. It is a beautiful country of forests and lakes and clean air and water, good theatres and concert halls in the towns and good casts and orchestras playing in them, impressive architecture, good inter-urban communications, and so on.

It is estimated that about half the Finns living in urban centres are only a generation removed from their homesteads in the country, which might explain their longing to get back to the grass roots whenever the opportunity offers. They will fill the theatres and concert halls when they are in town, but equally will fill their country cottages during the summer (and even winter, for skiing). There is something of the poet and a peasant about this.

It is a delightful, actually necessary, way to live. But it can be exasperating for the outsider. Except for those who like cross-country skiing, and most Finns do, the winter is long, dark and rugged. But winter or summer, fresh air is the thing and half of Helsinki takes off for the wilds at Christmas, Easter and midsummer, much to the chagrin of visiting businessmen and journalists.

It is even worse between Midsummer's Day and some time in August, when half of Helsinki is in a country cottage without a telephone, soaking up the sun if

they are lucky enough to have any. Sunshine or not, the Finns want to get back close to the earth, in the best sense of the term, to re-charge their batteries, so to speak. It seems to work.

Of course things are changing, but not much. In some families the youngsters, and even the parents, are spending their holidays, or part of them, in the south of Europe, seeking the sun. It is almost a status symbol now to appear sun-tanned even in mid-winter. Some of the older generation have sold off their country cottages on the lakeside or seashore because the children no longer care to go there.

Primitive

Conditions there can be fairly primitive. All the water has to be pumped from a well or fetched in buckets from a nearby lake. Why the housewife, who in town has hot and cold running water, an electric stove and a washing machine, chooses this hard work for a few weeks in the summer is a mystery.

But she is used to working hard. In town, even if she has a job, when she comes home she puts on an apron and starts to cook. The man comes home from his day's work at the desk, takes off his coat and settles down in the armchair to await the call to dinner.

Another old legend is that the Finns go off to the country in order to be alone, to get away from it all. Yet most of them are constantly entertaining But the ordinary Finn often has guests. There is perhaps no

longer the old desire for solitude, though there is opportunity enough. Finland is the fifth biggest country in Europe, but has only 4.7m people. A few thousand tourists can be added to this number in the summer but few of them invade the privacy of the summer cottage.

Country or town, if there are guests or it is a feast day, there will be burning candles on the table. That is almost *de rigueur*. There will also be colour—bright table mats, a sprinkling of colourful vegetables in the stew or the salad, and gleaming glasses of Finnish design. Colour and design have become very important in Finnish homes, at least to women. The men do not always appreciate these refinements.

In a way the temperature rules the Finnish way of life. The first thing to do in the morning is to look at the thermometer hanging outside the window. That tells you what to wear, long or short underpants, heavy overcoat or raincoat. It also tells whether you can go skiing (from your front door even in town) or jogging or play tennis, etc.

The Finns are sport-mad. In the winter it is skiing, in the summer track and field. Soccer is a relative newcomer, but growing fast in popularity, though the season is for climatic reasons rather short. The winners of gold medals in the Olympics, both summer and winter, are greeted like visiting heads of state on their return home. They are an elite. But the ordinary Finn often has skis 1,000 km (725 miles) cross-

country in the winter. The President of Finland, who is 78, used to do it every year until recently.

There are one or two other things the Finns do which could come under the heading of sport. One is to walk out on to the frozen sea or lake and spend a day dangling a hook through a hole in the ice in the hope of catching a tidder. There are even national championships for this form of torture. Another is the totally frightening habit of sawing a large space in the ice-covered lake or sea and having a dip there. There are Finns who do this every day and say that it keeps them free from diseases the year round.

Sauna

Whatever is written about Finland, the sauna inevitably comes into the story somewhere or other. The sauna is not actually Finnish, though most Finns tend to think it is. This is understandable, because they have preserved it in its purest form. Essentially a sauna in Finland means that you strip off your medals and dignity and go stark naked into the steam room where you could boil or fry an egg in the heat. Unofficially, there is a Helsinki Club to which belong the heads of state and premiers who have had a sauna with the President Urho Kekkonen, and they include kings and princes. Some enthusiasts estimated that there were nearly 700,000 saunas in Finland in 1980. There must be many more by now, for every new house built has its own sauna and, if it is

a fairly luxurious house or block of flats, its own small swimming pool. Most of these have an electric stove. But the nicest are the country saunas, heated with dry birchwood which has a delightful aroma. The ritual is that you sit naked on the bench in the steam room, pour hot water from the stove on to the hot stones and sizzle in the steam for as long as you like. You then dive into the lake or roll in the snow or take a dip through a prepared hole in the ice, and go back for more if you feel like it.

There was an Englishman who became legendary in northern Finland because in all his modesty he went into the steam room in his underclothes. After all, the whole Government (lady Ministers excepted) often take to the sauna to steam out their problems—though they do not always succeed. However, visiting Brits should remember that in the sauna the Finns are playing on their home ground. It is no use making an endurance trial of the experience just to defend the honour of the Empire. The sauna is meant to be enjoyed, not endured.

When the winter is over and the first rays of sun with any heat appear, all the Finns in the streets appear to be looking skyward, as though watching an aerobatic display. From then on the preoccupation is to catch as much sun as possible. The lovely girls reappear, dressed in very little. Where they go in the winter is a mystery.

L.K.

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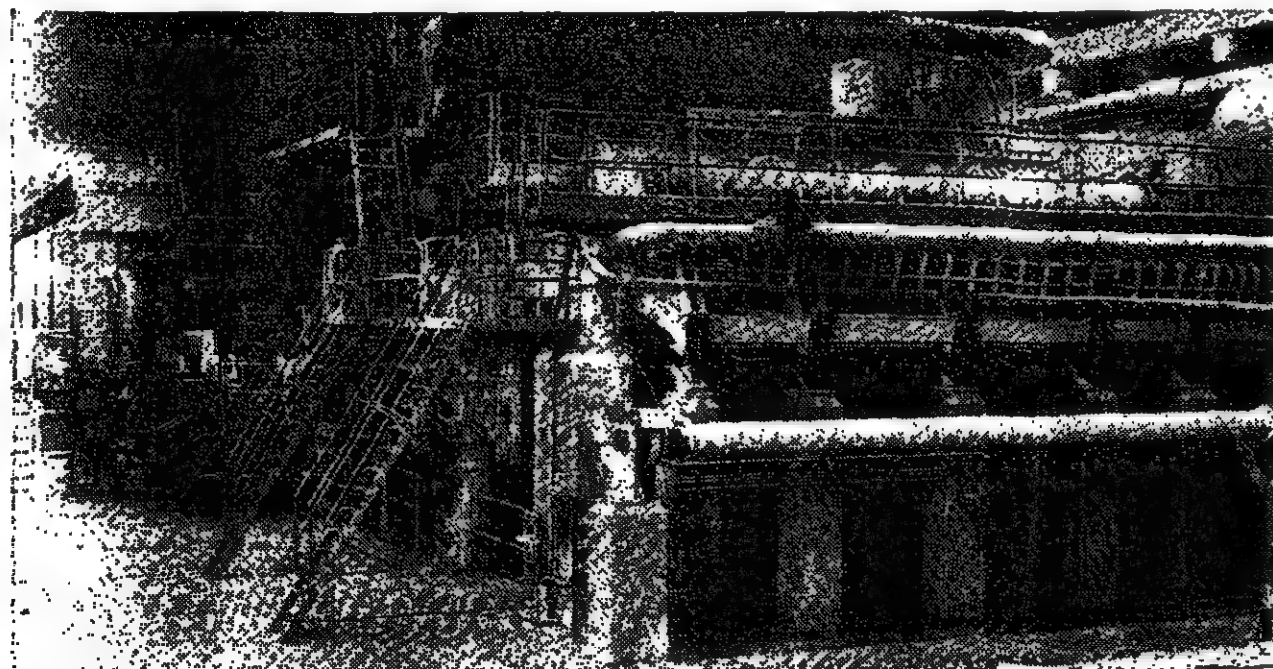
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FINLAND X

Construction projects

FINLAND IS a country with climatic and natural conditions ranging from one extreme to another: harsh winters and hot summers, granite bedrock and swamp, lakes galore and long distances between settled areas. When the country started its second "industrial revolution" after World War Two, the huge construction projects involved put the planners, engineers, architects and so on to a severe test. They came through with flying colours and enriched with experience and know-how.

But the country, though large in area has only 4.7m inhabitants. Of course there is still a need for new housing and the infrastructure must be continuously improved but by the late sixties the construction industry had reached the situation where it had outgrown the country. By the beginning of this decade it was accounting for 20 per cent of the Gross Domestic Product. There was only one place it could go and that was abroad. As exports are vital for Finland it seemed to be well worth a try.

The first and most natural market was the Soviet Union, right on the Finnish eastern frontier. It was possible to use Finnish equipment, Finnish materials and Finnish labour for work a few miles into the Soviet Union. Projects to hit the headlines included the Paajarvi forestry centre (stages one and two were valued at about \$87m), Svetogorsk (enlargement of the cable paper and pulp factory and related jobs, valued at \$107m), a cellulose acetate factory also in Svetogorsk costed at some \$200m, and Kostamus mining centre. There have been other projects, for instance in Siberia, but these have been more of a metallurgical than construction nature.

As these projects progressed successfully or were completed, Finnish construction groups began to look further afield, especially to the Middle East and some parts of Africa, mainly Nigeria. But they are also making feasibility studies in South America.

Finnish contractors signed contracts in 1977 for over 30 new projects worth about \$1.2bn. This is more than the total value of all the export projects of the branch in the period 1960-1976. Some \$700m of this was the Kostamus contract for the planning and construction of a mining industry combine and a town for 10,000 inhabitants in the virgin wilderness of Kostamus. But \$400m was for new contracts in the Middle East. Finnish contractors are now working in 20 countries.

These statistics come from the central organisation of the construction industry, the Association of General Contractors of Finland (AGCF). Its member companies accounted for about 50 per cent of the production in the branch and their invoicing rose to FM 4bn (\$525m) in the December, 1977, exchange rate in 1977.

The association keeps its member companies informed of new construction projects being planned abroad. It often has trade delegations to foreign countries and helps to assemble a consortium. The managing director, Mr. Lauri Reunala, says: "Contracting exports are now recognised, they were not earlier."

Exports

According to the AGCF contracting exports increased by 85 per cent to near \$300m in 1977. The Soviet Union remained the biggest individual market, accounting for 45 per cent, followed by the Middle East (32 per cent), Africa (12 per cent), Comecon countries other than the USSR (7 per cent), and West Europe (4 per cent). Up to now residential and industrial projects have been the most successful, accounting for 25 and 55 per cent respectively, with commercial building and civil engineering taking the rest.

Mr. K. P. Savelkoski, export engineer of the AGCF, says that the services offered by the construction companies of Finland cover the building of comprehensive communities with all facilities, water treatment plants, water supply and sewage systems; schools, hospitals, hotels, shops, cold stores, roads and bridges; infrastructure, basic factories and systems. Indeed all of these services have been carried out or are under construction not only in the Soviet Union but in the Middle East.

In Saudi Arabia Finnish companies are involved in large projects related to water supply and residential areas. A residential project valued at \$150m is under way in Iran. A \$150m contract has been signed with Iraq for the building of a network of vocational schools. Most of the major projects in Nigeria have been for residential housing, including whole urban areas. Perushytima, one of the biggest member companies of AGCF, has established a subsidiary in Nigeria. Its first project was a small housing area of 100 residential units on Victoria Island, Lagos. It was completed in seven months.

Some of the Finnish projects involve building in concrete, others more or less totally prefabricated timber houses. A delivery to Abu Dhabi comprised a flour mill, grain silos and storages. Libya bought three timber-frame schools. There are other Finnish companies working in this sector, though they do not call themselves contractors. One of them is Pariskien Kalkki Oy, more commonly known as Parisk. Among other things it builds factories to make housing components. Two of its recent contracts were with Saudi Arabia and Kuwait.

The Saudi deal was a joint venture with Yit, a member of AGCF. The delivery comprised a components factory and the installation of machines plus the technical know-how for the start of the factory to serve the building industry.

It is an example of the way trade is going. The contract was actually signed with a local company styled Mapco, in which Parisk and Yit each have a 7 per cent holding. Finnish companies are quite willing to engage in this form of international co-operation. Indeed they have to do so. They can hardly supply all the labour, and the shipment of bulk building materials to far-away places in the Middle East would put their competitiveness to a severe test. "We are contractors," says Mr. Reunala, "and we have the responsibility. But we co-operate with Finnish architects, consultants and engineers, and with contractors on the spot."

There are problems in these ventures. In the Middle East, insurance was a problem earlier but now the Finnish Export Guarantee Board covers the demand clause. Financing is not perhaps the worst problem. For the oil-producing countries usually pay cash on the barrel head. But skilled staff for the ever-increasing trade may prove a serious difficulty.

"We estimate that Finnish contracting exports will rise to \$400m this year, and \$500m in 1980 (at 1977 prices)," says Mr. Savelkoski. "This means that foreign operations will account for about 16 per cent of the value of Finnish construction investment in 1980. But we seem to be running out of skilled staff. We are now going to organise special training courses for export personnel to manage in our export markets, and so on. If our estimates are right we will need an additional 3,000 engineers in the coming three to four years."

L.K.

Dependence on imported oil

ENERGY POLICY in Finland, a country with limited power resources, suffers from the same lack of certainty about future demand as in other industrial countries, but its future is firmly based on the need for flexibility in sources of supply.

Like other Nordic countries it has a high per capita use of power, due to the energy intensity of its industry and the cold northern climate, although it has a highly developed system of energy saving through recycling of heat both in industry and for domestic use.

More than half the country's energy requirements are met by imported oil, of which 67 per cent came from the Soviet Union last year under a bilateral trade agreement. A further 12 per cent of needs were met by imports of coal (mainly from Poland), 13 per cent came from hydroelectric power and 15 per cent from domestic fuels.

Nuclear energy, which will soon become more important, made up only 3 per cent of the total, natural gas from the Soviet Union, another 3 per cent and imports of electricity from Sweden and the Soviet Union, the remaining 1 per cent.

Clearly the country's high dependence on oil, particularly from one main source, is a cause of some concern although it provides the basis of Soviet exports to Finland under the successful series of five year trade agreements, the next of which will begin in the 1980s. Although electricity generation is based mainly on conventional coal powered stations, the majority of large industrial companies in Finland generate most of their electricity at their own power plants. Industry

actually produces nearly half the country's electricity and consumes about two-thirds of it.

It is therefore understandable that the country's nuclear energy policy is being developed along these lines, with two Soviet designed reactors (Lovisa 1 and 2) destined to supply national needs through the State electricity company Imatran Voima and another two Swedish-designed reactors to supply a consortium of industrial companies.

Lovisa 1 went critical early last year and the major civil engineering work on Lovisa 2 has been completed for some time, although equipment delays have held up its completion. Last year Lovisa 1 generated at below full capacity of 400 MW but nevertheless contributed to a reduction in purchases of electricity from the two neighbouring countries.

The company set up to operate the so called "private" nuclear stations, TVO (Teollisuuden Voima Oy), is owned by member companies (mainly engineering and forest industry concerns) in proportion to the amount of energy they will use. State or publicly owned companies have a 42 per cent share of this equity at present, but this is likely to be raised to 50 per cent eventually.

TVO was established as a non-profit making company, clearly aimed at maintaining the member companies' traditional self sufficiency in power and giving them the benefit of cheaper power from big units. The two ASEA-ATOM reactors are now under construction on the island of Olkiluoto, off the southwest coast of Finland. Each has a capacity of 680 MW and should start supplying power in 1980, with the final cost estimated at \$1bn.

Electricity will be supplied through the national grid by arrangement with Imatran Voima, which is likely to come in as the other State partner to raise public ownership. However, it is clear that unless the country's overall demand picks up considerably, Imatran Voima will be faced with some overcapacity when the two TVO plants and Lovisa 1 and 2 are fully operational.

Continued on next page

FINLAND XI

Steel exports hit hard

FINLAND'S STATE steel company, Rautaruukki, was last year hit by a substantial fall in domestic steel consumption but at present its main handicap appears to be Viscount Esienne Davignon and European Community steel policy.

Despite the fact that Rautaruukki made a loss of FM 11m in 1977, its performance in terms of a 33 per cent increase in output (to about 2.1m tonnes) and greatly improved exports, did much to justify recent investment which doubled its steel capacity.

However, since the introduction of the Davignon plan, exports into European countries have suffered severely. Last year between 35 and 38 per cent of steel exports went to Europe but things will be quite different this year, the company believes.

Under EEC arrangements with EFTA, of which Finland is a member, the company can sell at only 3 per cent below comparable European prices, an arrangement which Rautaruukki claims to be unacceptable in the conditions now prevailing.

Most steel buyers in Europe, Rautaruukki says, do not think it worthwhile to buy steel abroad to gain 3 per cent, taking into account the convenience of being able to place orders locally. At the same time, various other countries such as Spain and Japan are allowed to sell at even lower prices, 6 per cent below domestic EEC prices.

Countries such as Sweden and the U.S. have proved to be good markets, but unless the Davignon plan fails to last, Rautaruukki faces a hard year despite some improvement in home demand. The start-up of two new production facilities could not have come at a worse time, and the company sees it as slightly ironic that it is in effect suffering because of lack of similar investment in EEC countries.

On the other hand, its production costs are now much lower than those of most competitors and despite the underlying price weakness in world markets, this should ensure a better future. It will also be important for Finland's engineering industry that steel will continue to be available at competitive prices.

The privately owned Ovako Group, which specialises in pig iron, crude steel and rolled products and exports about half its production, has not fared so badly in European markets, although this could be a result of its greater specialisation than its State-owned counterpart.

Nevertheless, it too made a loss of FM22m during 1977 although without the dubious achievement of increasing output and sales of FM600m were slightly down on the previous year. However, it reports a considerable improvement in business in the first few months of 1978.

So far the company is rather less concerned about restrictions on sales in the EEC than with the depressed pig iron market, which has production severely last year. Without State backing Ovako is also concerned about its liquidity position and had to go to foreign capital markets last year to raise short-term loans.

The company's continuing hope is that its product prices can be increased substantially this year and that its earnings in markets such as the U.S. and Britain can be improved after considerable success in those countries recently.

Without great resources for investment, Ovako plans to exploit its considerable technical expertise and develop new products. Its successful boron steel technology and its system of reducing fuel consumption in blast furnaces are both regarded as potential areas for this kind of development.

Unlike Rautaruukki, which has its own mines in Sweden to supply a large proportion of its raw materials such as iron concentrates and vanadium (for use in steels for nuclear plant reactors and other heavy duty materials), Ovako is largely dependent on imports of iron ore from countries such as Sweden, Norway and the Soviet Union and coke from Britain. It is also the main buyer of Finnish scrap.

Competition

In the Finnish market Ovako faces considerable competition on its products, with around 1m tonnes a year of total steel imports (compared with total exports by Finland of around 700,000 tonnes), with Sweden, the Comecon countries and Britain the major importers.

The most important users of Ovako products are the vehicle, building, engineering and foundry industries. On the vehicle side the company has had some success in the UK market, selling to all the major manufacturers, but recently price levels have been hit by the low prices offered by the British Steel Corporation and by the fall in sterling.

Ovako also used to export around 70,000 tonnes of pig iron to Britain for the foundry industry. This trade has been severely reduced, although it is regarded as significant that even BSC is buying from Ovako in certain specialised areas.

The Finnish mining industry, despite increasingly cheap ore available from countries such as Brazil, makes a major contribution to the iron, steel and other metal industries. The mining sector is dominated by Outokumpu, which also produces almost all the country's considerable output of non-ferrous metals. These include copper, nickel, pyrite concentrates and cobalt. The company also has a large stainless steel division.

On sales of around FM 1.4bn last year Outokumpu made a

net profit last year of FM 6.7m and exports accounted for 77 per cent of turnover. Copper and copper alloy products made up 33 per cent of sales, zinc 18 per cent, nickel 10 per cent and stainless steel 6 per cent.

In all these metals Outokumpu has been operating at marginal profit levels because of the weakness in world markets, although the recent price movements on copper, particularly since the troubles in Zaire, have been encouraging for the company. The main long-term concern of Outokumpu, however, is the depletion of its mines.

Overall output is expected to remain the same for the next eight years and then decline fairly rapidly unless any large discoveries are made: this is thought to be unlikely. It is therefore damaging to the long-term future of the company to produce a high output of metals at barely profitable prices, as it has been doing recently.

With this in mind the company is looking abroad for opportunities. It has much to offer in terms of plant-building expertise and its technical export division showed a sharp rise in sales last year. Major

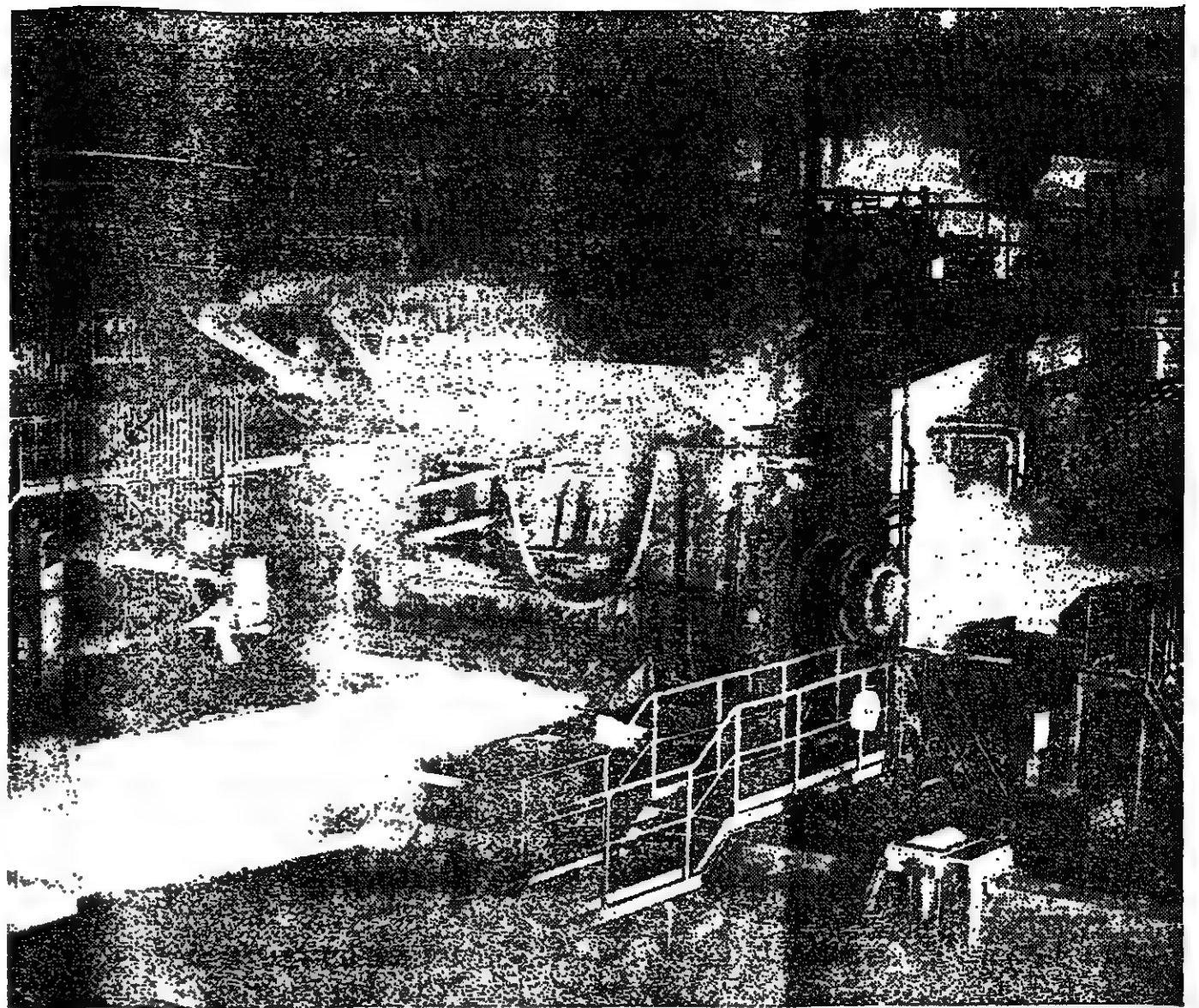
work last year included copper and exports accounted for 77 per cent of turnover. Copper and copper alloy products made up 33 per cent of sales, zinc 18 per cent, nickel 10 per cent and stainless steel 6 per cent.

It is anticipated that the technical export division will account for up to 20 per cent of total turnover in five years' time, mainly because mining activities cannot be expanded significantly without further ore discoveries.

As with other industries in Finland, the mining and metals sector is increasingly dependent upon its skills developed over many years, but because of the lack of demand in home markets and in the case of mining the depletion of raw materials, it is having to look abroad for future earnings.

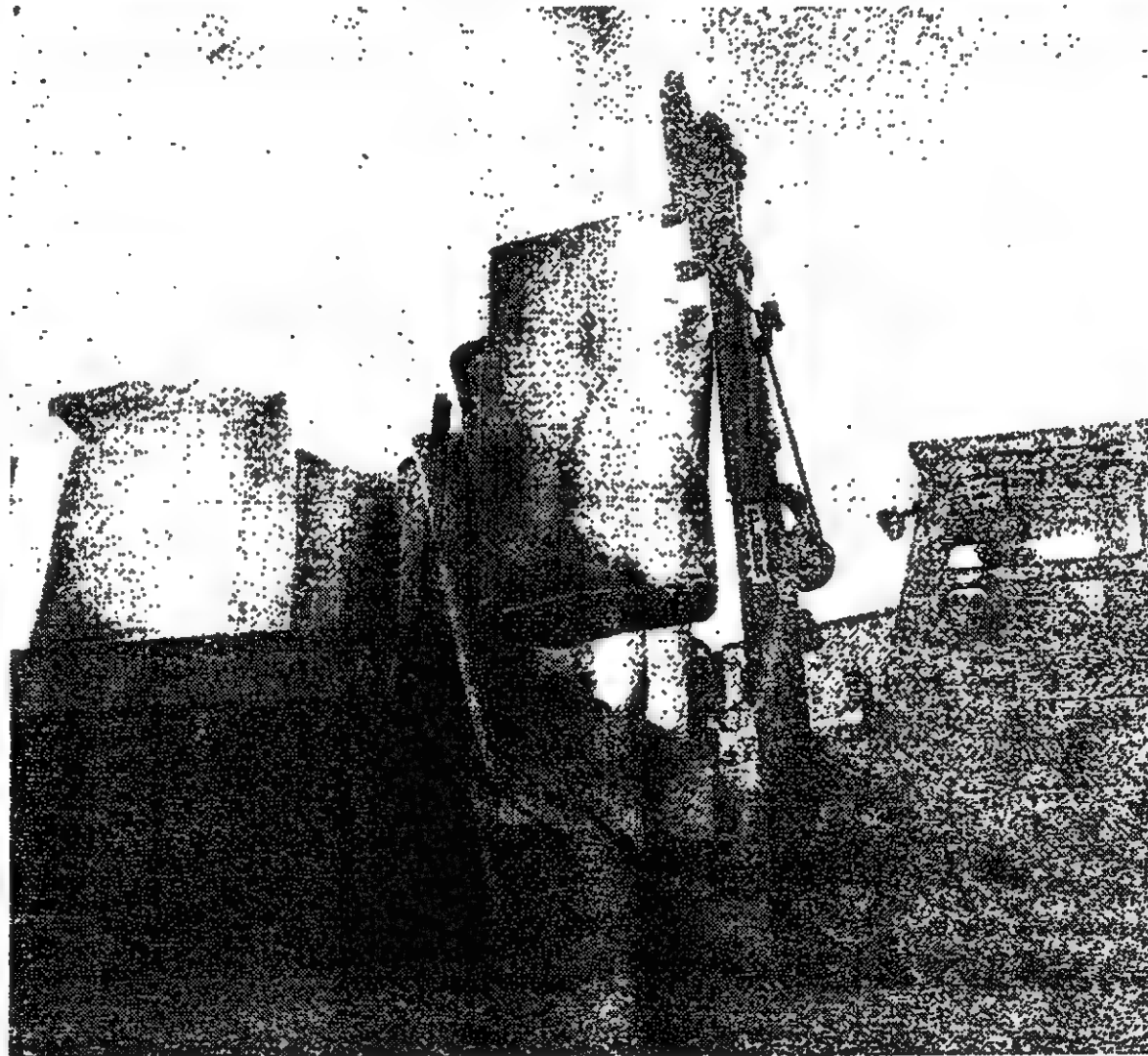
While the high quality and specialised nature of Finnish products will be helpful in achieving this aim, many other countries facing the same problems are looking abroad as well, and the competition facing Finnish companies will be extremely hard.

L.B.



Rautaruukki's new plate mill which was opened last year.

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ROSENLEW 125

Oil Dependence

CONTINUED FROM PREVIOUS PAGE

designed to limit the building of new fossil fuel power stations by private industry, thereby holding down ore consumption.

The State-owned oil company, Neste, prefers to take the view that, while oil use for power generation will decrease, as it did last year, there is no real reason to believe imports will slow down significantly. With newly developed refining capacity of about 15m tonnes of crude a year and an input of about 11m tonnes this year, the company would clearly like to improve this ratio.

It estimates that in 10 years time nuclear power will be providing perhaps 50 per cent of the country's electricity needs and for this reason it is preparing for a further reduction in output of heavy fuel oil which has already been reduced, partly as a result of higher sales of natural gas, also through Neste. The present gas pipeline from the Soviet Union extends to the industrial regions in the south-east of the country, but only around a third of its 1m cubic metres a year capacity is now being used.

Neste, while satisfied with its oil import agreement with the Soviet Union, it is not so happy about the retarding in Finland of Soviet refined products, which are its only challenge in an otherwise protected position as the only crude importer. It is also entering more competitive markets with its downstream petrochemical activities, as it is pursuing a policy of developing its potential in this area.

Unlike other Western oil

companies its scope for diversification is limited, mainly by its sister state companies which specialise in areas such as chemicals, nuclear and electricity supply. It does see potential, however, in its engineering expertise and specialist activities such as its know-how in the construction of underground oil storage.

Neste also sees export potential in petrochemicals in other Nordic countries, which have largely avoided development in that direction, and is concentrating on the development of smaller, flexible refineries. However, due to the small domestic demand for some petrochemicals, it is regarded as unlikely that investment in some sectors will ever be made.

Estimate

The most recent estimate of energy demand in Finland is that it could grow by a minimum of 2 per cent and a maximum of 5 per cent a year by 1990 and assuming a median figure of 3 per cent, demand will not catch up with planned capacity until 1985 at the earliest and perhaps not even until 1990.

While the Finnish energy suppliers remain protected to some extent by Government pricing policy this overcapacity need not cause concern, but for Neste it is clearly a time to plan how to meet a rather different type of demand when the time comes. This is when the flexibility of its refining capacity will be crucial to its future.

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FINLAND XII

Tourist industry looks for growth

FINLAND'S MAIN attraction for tourists is its natural beauty, particularly the vast expanses of lakes and forests where visitors can be assured of a quiet holiday. But, regrettably summer in Finland is short.

The country earned FM1.5bn last year from foreign visitors, about the same as the turnover of one of the country's larger industrial companies. About 3m people visited the country and stayed for an average of about three days. Understandably, the largest number of visitors came from nearby countries, notably Sweden (2m last year), Norway (300,000), West Germany (300,000). Around 40,000 came from Britain.

Helsinki, a city with a rich history and great charm, is nevertheless visited mainly by businessmen and tourists who are on their way to other parts of the country. Around 60 per cent of visitors last year were air passengers, but an increasing number of people are now arriving in Helsinki by cruise liner, many of them also going to other cities on the Gulf of Finland or the Gulf of Bothnia.

Although the appeal of fresh air and open country (including 60,000 lakes) is attractive to other Nordic people, they have to be persuaded that it somehow has more to offer than their own countries. They are, however, attracted by cheaper prices, probably the lowest among the Nordic nations.

West Germany is regarded as the most promising tourist market and the Finnish authorities are planning to spend around FM75,000 on a promotional campaign there in the near future. In particular, it is hoped that more people will be attracted in the winter season there are signs that cross-country skiing is growing in popularity. The advantages of this it is pointed out, are the lower costs when compared with conventional skiing in Swiss or Austrian resorts, the ease of learning cross-country skiing and its less hazardous nature.

The U.S. with 300,000 inhabitants of Finnish origin, has been a good source of tourists in the past, but this traffic is declining as their links with the home country become more distant.

Canada and Spain have more recently been the source of a rising number of tourists. Although no figures are available, it is clear that by far the greatest number of visitors are businessmen. An increasing proportion of them are so taken with the country that they are returning with their families for holidays.

One of the major problems facing promoters of tourism remains a widespread lack of knowledge about Finland and what it has to offer. Research has shown that even its geographical position is in doubt.

Some people even think, for example, that it may be part of the Eastern bloc. A Finnair representative in the U.S. was recently taken for an air conditioner salesman.

"Our first task is often educational," a tourist official said. "We have to make people realise what Finland is like, then try to persuade them to visit us."



Lakes and forests comprise the bulk of inland Finland, and are among the country's major tourist attractions.

next five years, now comprises 35 commercial aircraft, four of which are leased. During the past winter the airline's timetable included 30 destinations abroad and 20 within Finland, a high domestic density for an airline of Finnair's size, but necessitated by the long distances and difficulty of other forms of travel at certain times of the year.

The airline intends to purchase three replacement DC9-31 models and in 1980 another DC-10, the aircraft it operates on its North Atlantic and other long routes. It is also planning to replace its eight Super Caravelles. An investment programme costing \$400m is planned.

Growth in airline traffic over the next few years is also expected to necessitate expansion of the comparatively new Helsinki airport, and Finnair has requested routes to the west coast of the U.S. It currently has five flights a week to the U.S. and Canada, but this is a comparatively small part of the company's overall activity, with a very high proportion of passenger kilometres being taken up with domestic and/or charter services.

Although the number of passengers on domestic routes declined by 6 per cent last year, the total volume of cargo carried increased by the same proportion. However, as a result of the dearer fuel, higher airport charges and the high rate of inflation in Finland, fares were increased by 10 per cent at the start of the year.

The rise in air fares caused a sharp fall in demand and for this reason traffic was curtailed during the early part of the year. The decline in revenue

passenger kilometres was 11 per cent during the first quarter.

Prospects for tourism in Finland are now regarded with some optimism, although the authorities are faced with a hard task due to the long winter and the difficulty in persuading the tourist industry to invest in new attractions which may only be used for three months of the year.

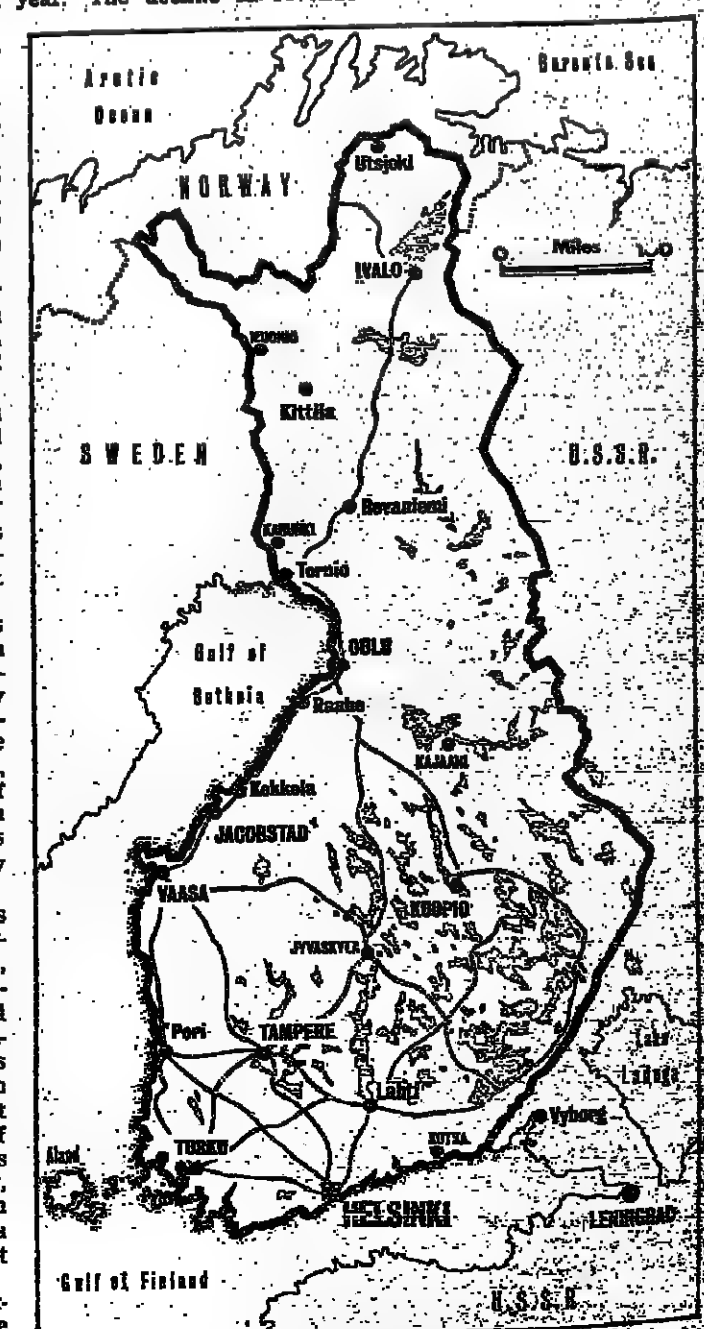
Examined

A number of new opportunities are also being examined, such as attracting more visitors from Japan, where Finnair has a service in the winter, and the possibility of more tourists from the Soviet Union, Finland's largest single trading partner. About 30,000 Russians visit Finland every year, mainly in organised parties, but as one official said, with a potential market of 200m people, it is worth exploring the possibilities of attracting more.

Discussions have taken place on the feasibility of Finland promoting tourism on behalf of the Soviet Union, urging Westerners already in Finland to visit northern Soviet cities such as Leningrad. This will probably be encouraged by the recent introduction of a train service to there from Helsinki.

Much will obviously depend on the comparative costs of flights to Finland, and the effectiveness of advertising in Europe and the U.S. But with the advantage of comparatively cheap internal travel and wide open spaces to offer, Finland's tourist industry could experience some expansion in the coming years.

The decline in revenue



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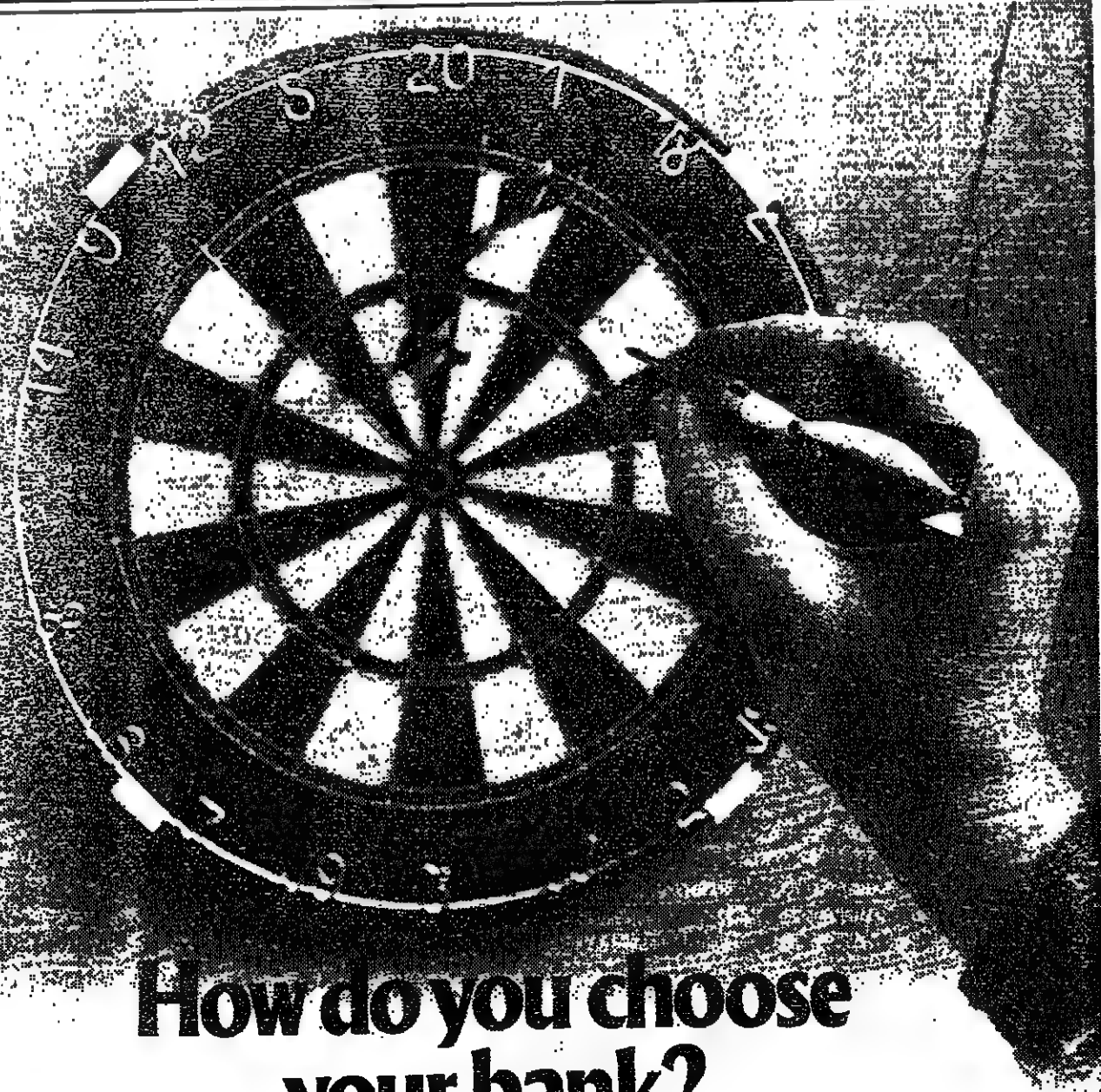
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Mini-mill challenge to the steel giants

BY ROY HODSON

THE LATEST problems of British Steel's works at Llanwern and the corporation's reliance on emergency imports to gain raise the question whether BSC's giant plants were worth building. The question is given added point by the current success of a small private mini-mill operating across the fields from Llanwern.

Once again BSC's 3m-tonne-year works at Llanwern has been idle because a small number of workers in dispute. This time the blast-furnace men were responsible for the stoppage which ended yesterday. Little more than a week ago the electricians halted the plant for several weeks.

Each time British Steel loses the output of Llanwern, its biggest modern plant, it is compelled to splutter along like a motor car running on three cylinders.

During the current steel slump Llanwern has been heavily loaded with orders at the expense of other works for the good reason that, when operating, it makes the cheapest steel. It is more efficient than other British Steel plants at turning out flat-rolled products for such markets as tinplate (or can-making), hot rolled coil for engineering, and cold reduced sheet for motor car bodies.

To extract the maximum possible advantage from Llanwern's low-cost steelmaking at these hard times British steel has pushed the plant in recent weeks to a record rate of some 2.5m tonnes a year actual output. The price of such a concentration of effort has been that other older and less efficient steel plants have had to be starved of orders, and parts of them temporarily closed or run spasmodically.

The sudden strike at Llanwern threw the whole British Steel strategy into confusion. It was not technically possible to "rev up" production at other works. All the gap, neither the quantity of steel nor the quality the customers demand could be provided at short notice.

British Steel's only solution to the problem was to satisfy its customers by importing prime steel from Europe. Orders had to be placed in Holland, British Steel, which ranks third among the world's top 20 steelmakers, must be the only major group forced to spend up to 44m a week on emergency steel imports; and this in the midst of a grave international steel recession in which other producers are scrambling for the few orders available.

Ironic

British Steel's predicament has been ironic, even absurd. But it is not novel to the core. During the past five years British Steel has pursued the good reason that, when operating, it makes the cheapest steel. It is more efficient than other British Steel plants at turning out flat-rolled products for such markets as tinplate (or can-making), hot rolled coil for engineering, and cold reduced sheet for motor car bodies.

To extract the maximum possible advantage from Llanwern's low-cost steelmaking at these hard times British steel has pushed the plant in recent weeks to a record rate of some 2.5m tonnes a year actual output. The price of such a concentration of effort has been that other older and less efficient steel plants have had to be starved of orders, and parts of them temporarily closed or run spasmodically.

Teesside and Scunthorpe in the North of England, are clearly vulnerable to disruption. And the effects of loss of output at any one of them are felt severely throughout the corporation. Is it possible then that in steelmaking small may be beautiful?

The best place to study that question is at Llanwern itself. Recently Mr. Dick Eddy, one of the Llanwern steelworkers, wrote to Sir Charles Villiers, chairman of British Steel. He was questioning the whole concept of industrial cathedrals devoted to steelmaking. His letter read: "Across the fields from Llanwern the future of strip steel already emerges—the Alpha private steel mill which will produce 800,000 tonnes per year on 500 men. Llanwern has problems doing that with 10,000 men."

An embarrassing letter perhaps to the chairman of a corporation which has gone beyond the point of no return in its investment in big works. But the Alpha works is one of the new facts of life with which British Steel must contend. During the Llanwern stoppage Alpha was continuing to step up production as it runs in the new plant.

The Alpha mill is the latest and biggest of a new breed of steel plant often called the mini-mill. From British Steel's point of view it is certainly the most provocative. It has been built in the very shadow of Llanwern and is quickly increasing production in an identical product.

Alphasteel, the operating company, is financed through Switzerland with technical expertise provided by an agreement with the Greek steel company, Halyvourgi. That somewhat unlikely combination for South Wales steel development

has built and brought into production in under three years a complete miniature steel works at a cost of below £100m. It is being manned mainly by ex-British Steel men. Some have taken BSC redundancy pay. Others have simply transferred from other steel works in the area.

This year Alphasteel will have an estimated 200,000 to 250,000 tonnes of hot-rolled coil. It may be able to improve upon

those targets if the Llanwern strike has the effect of leaving a gap in the market for any length of time. There is only one union at the Alpha works. The management recognises only the Iron and Steel Trades Confederation, the general secretary of which is Mr. Bill Sims, the chairman of the TUC Steel Committee.

At Llanwern British Steel has to deal with five main union bodies of which one (the National Craftsmen's Co-ordinating Committee) represents 12 unions.

With some 300 workers Alpha will be making about one-tenth as much steel as Llanwern with its 10,000 men. That must be accounted a remarkable achievement by a private enter-

prise grouping new to the area. At that level it is hardly a major threat to British Steel. The story will not end there, however. Alphasteel intends to raise output until all four of its electric arc furnaces are being worked to a pattern which will give an output of up to 1m tonnes of steel a year. The company estimates it will need between 800 and 1,000 men for that. Then, when the market looks right, the company plans

difficulty in obtaining scrap supplies and, in any case, it will have the whole of the Common Market to draw upon under the European Coal and Steel Community rules for free trading in scrap between the Nine.

If Alphasteel does raise production to 1m tonnes a year—which seems to be well within its technical capacity—the basic concept of the mini-mill will become somewhat strained.

6 With some 300 workers Alpha will be making about one-tenth as much steel as Llanwern with its 10,000 men . . . British Steel's production strategy is wedded to the concept of importing bulk supplies of ore and turning it into steel by large-scale production at lowest possible cost at big coastal works. It is now clear that such works are highly vulnerable.

A recent Metal Bulletin conference of experts tried to define the modern mini-mill. At the end of a hard day they had to admit that although the quarry had often been sighted, the hunters could not actually agree upon what they had seen . . .

Credulity was first strained in Britain by the Sheerness Steel mini-mill. That plant was originally planned on the island of Sheppey on the Thames on a modest scale to use scrap steel from the London area. But now, under brisk Canadian management, it is making 500,000 tonnes a year, mostly for export.

Thus, two so-called mini-mills—Alphasteel and Sheerness Steel—may eventually account for some 1.5m tonnes of Britain's steel output each year between them. They will then be making about one-third of all the steel produced by the private steelmaking sector.

Although the tonnages are still small when compared with British Steel's 17m tonnes a year they are nevertheless a significant proportion of total British output of steel.

The British Steel Corporation production strategy is wedded to the concept of importing bulk supplies of cheap foreign iron ore and turning it into steel by large-scale production at lowest possible cost at big coastal works. It is now clear—Llanwern's problems have again made the point—that such works are highly vulnerable to technical problems, to long construction times, and to labour disruptions. It is also clear that those weaknesses were not taken into account sufficiently when the strategy was being developed in the early 1970s.

Lately the mini-mill concept has become less easy to determine. Various works have become bigger and more complex than the original concept.

Instead of watching the mini-mills steal its clothes is there anything British Steel can do? One interesting possibility is for the corporation to use its present period of retrenchment upon investment to consider the future of its own electric arc furnaces. The corporation has 33 of them. Perhaps future investment policy might be modified to use some of those furnaces as the centres-pieces of some British Steel mini-mills. The argument against is a strong one. British Steel already has too much steelmaking capacity and as the big coastal works are finished it will have even more. The unions would have to be persuaded to accept new manning practices.

Nevertheless there may be ways in which British Steel can turn the mini-mill concept to good use in time to catch the expected upturn in steel demand in the early 1980s. Control of some mini-mill-type production would enable the corporation to be more flexible and a lot less vulnerable to disruption at its big works.

British Steel could do worse than begin its studies at Shelton, Stoke-on-Trent, where conventional iron and steelmaking is to be closed at the end of this month. The employees still believe the works could be continued as a complete unit if an electric arc furnace were to be installed to serve the modern steel rolling mill. Such spending could not be justified at present. But British Steel might be glad to have some works of that size—whether they are known as mini-mills or by any other name—in time for the 1980s steel boom.

Nevertheless there may be ways in which British Steel can turn the mini-mill concept to good use in time to catch the expected upturn in steel demand in the early 1980s. Control of some mini-mill-type production would enable the corporation to be more flexible and a lot less vulnerable to disruption at its big works.

House of Lords: Debates on the need for enterprise and innovation to stimulate industrial growth and on report of Select Committee on Hare Coursing Bill.

Letters to the Editor

Effect of tax reduction

From Mr. T. H. Russell

Sir—For the life of me I cannot see the reason why Samuel Brittan (June 15) should continue to advocate decrease in personal taxation as the key to improving domestic economic well-being.

Does he not realise that decreased personal taxation results in increased personal disposable income that can be spent on either home or overseas manufactured consumer goods with the resultant impetus to either home or overseas capital goods manufacture and investment?

Over the past few months with the increase in sterling exchange rate, imports have become less expensive in this country (both consumer and capital goods) to the benefit of overseas countries—competitors of UK industry.

The Chancellor of the Exchequer would be much better advised to decrease corporation tax (particularly on industrial companies) while maintaining a limit on dividend payments so that industry can either increase investment and/or decrease relative prices while increasing employment and disposable incomes through increased volume sales in home and export markets.

Decreased personal taxation is as too arbitrary in impact to be a meaningful solution to UK industry's investment problems whereas decreased corporation tax has the benefit of bringing direct assistance to both UK companies and UK employees.

The Elms, Chapel Lane, Wotton, Notts.

Cost of a phone call

From the Director of Public Relations, The Office

Sir—Your "Society's Today" (June 7) gave an illuminating insight into the national concern for consumer durables. It is doubly unfortunate that you should have used the item to perpetuate the myth of ever-increasing telephone charges. Our charges have not been increased since 1975 and we have publicly pledged that there will be no increases at least until 1979. This is a record of price stability which no major industry can beat. In terms of the telephone is better value for money than it has ever been: a major factor behind the increase in demand which you reported.

eter H. Young,
1, Howland Street, W1.

Education in engineering

From Mr. S. A. Gregory

Sir—As a professional engineer with much experience in industry before entering university teaching, and with a continuing strong link with industry and the profession, I have had some difficulty in making sense of various recent proposals and statements.

The newly spawned enthusiasm for "enriched" schemes, which seem to disregard market needs in favour of overkill prior work. In my own professional field there has been a truly enriched basic and system-based course operating for eight years (this is reiterated on a sandwich format,

but goes beyond the conventional sandwich content and links the business teaching to the final industrial period). Today we are publishing the results from the fourth successive final examination and it is notable how good the enriched stream performance is in comparison with other parallel streams. I have been able to monitor closely the performance in industry of two earlier graduates from this scheme and they show the obvious ability to cross boundaries which constrain more conventionally trained engineers. Their work performance, in the eyes of the industrial managers concerned, has been outstanding. One can see little argument for a further year of study except if it be for a higher degree.

With respect to design, it is obvious that Professor French (quoted by Michael Dixon, June 8) when he talks about the shortcomings of professors refers to design in his own field of engineering. As far as chemical engineers are concerned, design is taken seriously at undergraduate level. I would be happy to employ at least one-fifth of the heads of chemical engineering departments in the UK as professional designers. They would be no good at designing electric shavers but first-rate for complete process plants. There is a very good relationship between process industries, plant contractors, computer software providers, and university departments. We have had two valuable conferences on design recently (1976, 1977) and there will be another in September, 1978. We care about design.

From Mr. Dixon's report it would appear that engineering in production is given a lower ranking than engineering elsewhere ("projective" engineering, in his words). Again it depends upon what you are engineering. It is notable that the general level of performance of the process industries (food, chemicals, etc.) is better than that of the materials forming and assembly industries. Broadly this is not unconnected with the higher quality of technical people employed in the production area.

Studies show that the activity of design is less complex than the design likely to be faced in the production area, of a modern process plant. For good performance in production the demands on management and technical staff are more technical, economic and behavioural knowledge broader in scope than is required for design. We have been able to develop methods of following the performance of graduates in design within companies. Graduates in production still elude us.

In the very welcome debate on engineering it would be refreshing if people concentrated more upon market needs, studies of professional engineering activities, monitored performance in industry, and the wishes of engineers themselves.

S. A. Gregory, Reader, Business Aspects of Chemical Engineering, The University of Aston in Birmingham.

No improvement needed

From the Group Personnel Director, Duxbury Group

Sir—It must be unusual for industrialists to spring to the support of academics, but I have been a truly enriched basic and system-based course operating for eight years (this is reiterated on a sandwich format,

the Department of Education and Science with improving education for engineers does appear to ignore the very great benefits and improvements that have come from the introduction of the "thin" sandwich course being offered in many of the universities.

The Dowty Group has been a keen proponent of the thin sandwich since its inception and we speak with first hand knowledge of the excellence of the system.

The DES must be careful they do not (even by accident) handicap the excellent work done by many universities, including Professor Hanson's, N. W. Bromley, Chesham.

Professional directors

From the Director-General, Institute of Directors

Sir—In answer to the question posed by Mr. Clifford Jackson (June 8), the Institute of Directors is actively considering proposals for a qualification for directors.

But there is an important caveat which Mr. Jackson appears to have overlooked. That is that the effectiveness of a director in his two primary roles, that of corporate businessman and corporate leader, is not capable of academic examination.

That is not to say that it is not possible to test a director over the wide range of other skills he needs to support him in the discharge of his duties. He must, for instance, understand many aspects of company law, of finance, financial and management accounting, of industrial relations and employment legislation, of how an economy and markets work. These, clearly, one can test.

With this in mind, the Institute is considering a modular course in which candidates can study and be examined separately on these different subjects. We shall not be attempting to guarantee the skill of directors as entrepreneurs or as leaders. We shall be setting out to ensure that those who successfully complete the course we propose will be able to offer a guarantee that they possess the secondary, transferable skills that a competent director needs.

However, I neither expect nor wish to see the day arrive when an effective businessman is debased from serving on a Board of directors for lack of a formal qualification. The primary qualities of business acumen and leadership cannot be tested in the examination hall. They can only be tested in the marketplace.

Jan Hildreth,
116, Pall Mall, SW1.

Nuclear power priorities

From Mr. Derrick Streeton

Sir—The build-up of Soviet military capability makes the headlines but the West will ignore at its peril, another threat of equal significance. This concerns energy the key factor that will determine the outcome of a "peaceful" East-West conflict.

While in this country we see misplaced priorities in energy matters, the Eastern-bloc has embarked on a massive programme to gain economic superiority. The provision of secure, diverse and cheap sup-

plies of energy figures prominently in the Kremlin's total strategy, and in this regard the utilisation of nuclear energy is the most important factor. The years scores of new nuclear power stations will be ordered, featuring reactor units of 1,500, 2,000 and 2,400 MW of electrical capacity. These ambitious plans indicate clearly that although the Soviet Union is taking major steps to utilise its vast oil, gas, coal and hydro resources, the use of nuclear power is seen as being vital in providing low-cost electricity and heat.

At one time this country led the world in nuclear power production, and although we still enjoy "first division" status in terms of units generated, during the next decade we will face relegation unless there is a radical change in policy. No government can afford to play down the role of nuclear power. In this country we need a major commitment to nuclear power in order to sustain, let alone improve, living standards. Without such commitment our competitive position internationally will continue to decline as other Western and the Eastern-bloc countries benefit from cheaper supplies of electrical energy.

The present government believes it is on a "slow but sure" path in building-up our nuclear power base. It certainly is a slow but far from being sure. The recent commitment to new nuclear power stations is pitiful as compared to the commitments being made by the Soviet Union, Czechoslovakia, East Germany and Poland. The Eastern-bloc plan to have an installed nuclear generating capacity of around 150,000 MW by about 1992. Even Czechoslovakia is expected to have 12,000 MW. By the 1990s many of our existing nuclear power plants will be over 30 years old. In addition, doubts exist over the lifetime expectation of the AGRs. Thus, by the early 1990s we will be fortunate to match the Czech capacity.

At the end of this century the Soviet camp will have a huge nuclear power generating capacity and the technology to combine heat and power will provide these countries with an enormous advantage over us unless we move fast in the same direction. Derrick Streeton,
39, Leasway,
Westcliff-on-Sea, Essex.

The rating abomination

From Mrs. J. M. Copeland

Sir—I have never written a "letter to the editor" of any publication, although tempted to many times. Being a member of the great mass of lethargic public I have felt, like them, unable to compete with those who seem well able to express themselves and put forward their views in a telling manner.

However, regarding Messrs Coker and Campion, who have been speaking up on the vexed question of the rating system in this country, I feel I must do something even if it is only writing to you to say I am one of the mass of the people who heartily agree with what Mr. Campion says (June 12 Letters)—there is no way we can splash this general feeling across the headlines and encourage a great many more people to speak up. Look what happened in the U.S. when the property tax problem became a political issue.

I am a woman who got herself a mortgage to provide a home for her three children and widowed mother. Having no special qual-

ifications other than secretarial, you can imagine the salary level and consequent struggle to pay all the bills. Rising mortgage interest rates, the extortionate cost of gas and electricity—to say nothing of the cost of food, clothing and just about everything else needed in order to exist, are problem enough with the present income tax structure. But the abomination of the rating system is just about the last straw. Then there is the delightful use of nuclear power is seen as being vital in providing low-cost electricity and heat.

Of course all the facilities we enjoy have to be paid for, but every working person should pay one tax in some form to cover all the bills. Rising mortgage interest rates, the extortionate cost of gas and electricity—to say nothing of the cost of food, clothing and just about everything else needed in order to exist, are problem enough with the present income tax structure. But the abomination of the rating system is just about the last straw. Then there is the delightful use of nuclear power is seen as being vital in providing low-cost electricity and heat.

An impossible dream? I don't think so.

J. M. Copeland,
Mendoc Road,
Send, Wiltshire,
Ripley, Surrey.

Who carries the can?

From Mr. C. R. J. Lee

Sir—While I agree with Mr. Cole (June 14) that our society as a whole is sick, it seems to me that his letter bears out Mr. Webb-Bowen's general thesis (June 8). If everybody joins the conspiracy for mutual inefficiency, how is our society going to recover? Whenever employees say to me there is nothing I can do about it, I get annoyed and reply "at least you can put me in touch with your manager or director who might have more initiative." The buck must stop somewhere. And in non-nationalised industries which are not subject to the National Enterprise Board, it stops at the board of directors.

If directors do not accept responsibility for changing things and making progress, then as a country we really have had it. To provide drive, leadership and make the painful economic adjustments required, must not be castigated as rocking the boat but regarded as the essential function of directors. This is the main lesson that worker directors will have to learn before they can become effective.

No less an authority than Peter Drucker considers that even part-time executive duties disqualifies directors from discharging their responsibilities relating to their monitoring of company being asked to judge themselves. He goes on to say that many top managers are content to see the board become a legal fiction and would be quite willing to see the board disappear altogether. He then comments that where a board is completely an "inside" board, the board as such has disappeared.

To coin a phrase, even a tortoise only makes progress when it sticks its neck out, so how does Mr. Cole deal with ideas which are so new that they have not yet been shown to work? Somebody has to be first, but not Mr. Cole. Mr. Webb-Bowen will have to show me that it works before I become receptive.

O. R. J. Lee,
Cresta, 5, West Side Common, SW19.

Today's Events

for U.S., EEC, Japan and Canada to discuss outstanding issues in Tokyo Round of multilateral trade negotiations.

Three-day Ministerial meeting of EEC Agriculture and Fisheries opens, Luxembourg.

European fibre producers in talks with unions and Viscount Davidson, European Industry Commissioner, pending signing of agreement to restrict increases in capacity to meet the sector's crisis.

Second day of talks in Washington between trade negotiators.

House of Commons: Debate of Royal Navy.

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Holt Lloyd International Ltd
Europe's largest car care group

Pre-tax profit up 37%

- ★ Short term objectives of the Holt-Lloyd merger have been achieved. Over two years earnings have doubled from a sales increase of 73%.
- ★ The long-term advantages from the creation of a strong international marketing organisation are ahead.
- ★ Our aggressive expansion policy continues. Sales and profits in the first quarter are as anticipated. Although it would be unrealistic to count on the same rate of improvement as in the past two years, our targets are for above-average growth and we expect to achieve them.

TOM HEWWOOD, Chairman.

	73/74	74/75	75/76	76/77	77/78
SALES	12.39m	14.08m	17.00m	22.32m	29.40m
PRE-TAX PROFIT	1.16m	1.19m	1.50m	2.14m	2.95m
EARNINGS PER SHARE	5.31p	5.52p	7.08p	10.17p	14.12p

Copies of the Report and Accounts are available from the Secretary, Holt Lloyd International Limited, Lloyds House, Alderley Road, Wilmslow, Cheshire SK9 7JOT.

HOLTS TURTLE DUPLI-COLOR RELEX MOLYSLIP FLEXY

COMPANY NEWS

EMAP to enlarge magazine operations

IN ADDITION to forecasting a further increase in profits in the current year Mr. Frank Rogers, chairman of East Midlands Allied Press also announces plans for the future expansion of the business.

He reports that 1978-79 has started well and advertising revenue is expected to be buoyant throughout the period. The group's national publications continue to lead the field in motor cycling and gardening; the two evenings and many of the weeklies are also showing healthy circulation gains.

A major marketing effort has been launched to sell additional capacity at Kettering and Peterborough. The chairman expects that the heavy expenditure on plant and advanced technology will begin to pay off during the year and that the return on capital employed in the printing operations over the next two years.

Mr. Rogers tells members that considerable attention has been given during recent months to possible areas for future expansion. In addition to filling the additional productive capacity at Kettering and Peterborough it is planned to expand the magazine and retail side of the business.

The group is also seeking opportunities to acquire further magazines and news agencies and the chairman hopes to report further on this during the year.

Early last month the group acquired Green Lane Travel (Air and Shipping), a Leicester-based travel agent.

In the year ended April 1, 1978, group pre-tax profits exceeded £10.7m to £16.2m. Printing and publishing contributed £15.1m and retailing £1.1m.

The chairman explains that the greatly improved result came from the new newspaper, magazine and retail divisions and from a lower interest charge on borrowings. The contract print division had to meet substantial planned non-recurring costs relating to the installation of the new press and this resulted in a small loss.

Mr. Rogers points out that this minor profit on the contract printing side will result in a temporary downturn in profit levels until all work has been transferred to the new press and the substantial extra amount of capacity available can be filled. Although the new equipment has experienced teething troubles

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interim or final and the sub-figures shown below are based mainly on last year's timetable.

TODAY
Interim—J. H. Fenner, Great Northern Investment Trust.
Final—Allied Plant, Chamberlain Bros, Dawson International, Lilliehall, London, Samuels, Plantations, Pedrow, Shaw and Marvin, J. W. Spear, Sterling Industries.

The chairman is confident that the decision to expand the contract printing capacity with modern equipment was the right one and that the company will again contribute to group profit later this year.

Looking at the provincial newspaper division the chairman reports that sales of the Kettering Evening Standard increased by 5 per cent during the year. The group is continuing to increase utilisation of productive capacity and anticipate a positive contribution to group profit from this company in the current year. Revenue from the relaunch of the Peterborough Advertiser as a free newspaper far exceeded expectations. Sales of the evening paper continue to increase and are currently showing a 4.4 per cent rise on last year.

As reported the dividend is increased from 2.85p to 3.53p for 1977-78. In addition a scrip issue in "A" ordinary shares on a three-for-four basis is proposed.

Year-end liquidity showed an increase of £317,000—cash was up from £1,077m to £1,394m. Printing and publishing contributed £15.1m and retailing £1.1m.

Mr. Rogers points out that this minor profit on the contract printing side will result in a temporary downturn in profit levels until all work has been transferred to the new press and the substantial extra amount of capacity available can be filled. Although the new equipment has experienced teething troubles

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FUTURE DATES

National Westminster Bank ... June 22
Venus Ship ... June 22
Finals—
Austin (E.) (London) ... June 22
Avaya ... June 22
Brady Lend Lease ... June 22
Crawford Industrial ... June 22
Continental and Industrial Trust ... July 7
Imperial Continental Gas Assoc. ... June 27
London and Liverpool Trust ... June 13
Michael Somers ... July 13
Radant Metal Finishing ... June 28
Sonic ... June 28

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properties, less profit on sales of others during the year. The group manufactures and sells dress, furnishing and upholstery fabrics and curtains.

Holt Lloyd plans more expansion

AN AGGRESSIVE expansion policy, both in the UK and overseas, is being continued by Holt Lloyd International, says Mr. Tom Heywood, the chairman. In his annual statement.

A strong group balance sheet and the resources and facilities available to the company will enable the directors to support this policy in the future, he adds. Members are told that sales and profits in the first quarter of the current year are in line with expectations.

As reported on May 12, pre-tax profits jumped 37.2 per cent, to a peak £2.95m for the year to February 26, 1978, on sales of £29.4m (£22.3m).

On a CCA basis, taxable profit is reduced to £2.45m after £0.47m cost of sales adjustment, less a £0.22m gearing factor.

Mr. Heywood points out that although it would be unrealistic to expect the same rate of growth as in the past two years, the business is moving forward according to plan, and budgeting for above-average growth.

On the UK automotive side, a substantial advance in profits was achieved resulting from the continuing dominance of the group's established brands, with most products increasing their market share.

The company has now reached the stage where more emphasis can be given to new products, a vital area if it is to maintain growth, says the chairman. In April, this year, the company launched three new products, with two of these taking the company into a wider area of household do-it-yourself for the first time.

The food division reported profits up 22 per cent, to £29,000 on sales 39 per cent higher at £2.2m, with both Kiltort and Duerr products continuing to sell well.

Export and overseas business continued to grow steadily with a 20.4 per cent advance in sales to £9.8m. Trading profits were up from £498,000 to £721,000 despite the £180,000 costs of the American programme.

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Mr. J. Palmer, chairman of J. H. Fenner and Co. while 1977-78 interim results are expected today.

Highams expects further profit growth this year

PROVIDING textile imports are over the Kamella factories in Bridlington, Yorkshire, and Accrington, Accrington, July 12, at 12.30 pm.

As pre-tax profit for the year to April 1, 1978, was up 28.3 per cent to £1.6m (£1.2m) on sales up at £24.7m (£20.54m). The net dividend is raised to 3.01p (£2.75p).

Mr. Highams says that in spite of increased stocks to sustain the higher turnover, and capital spending of more than £500,000, bank overdrafts had decreased at year-end by £261,000.

The net income on trading rose from £453,000 to £525,000, the net outflow on financing dropped from £484,000 to £354,000. The decrease in net bank overdraft rose from £49,000 to £261,000 and working capital stood at £353,000 at year-end compared with £353,000.

On household textiles, he reports improved profitability for the blanket division, continued improvement in furnishing, and a further increase in the sheeting division.

In the spinning division, the Townhead Mill at Rochdale suffered because of imports and has had a struggle to keep production going through lack of sales. New plant has been installed at the Grape Mill, Bolton, and, he says, early results are extremely encouraging.

In clothing, Leslie Blass made a useful contribution to profits, and the Skol Clothing Company has once again had a record year, but Kamella had a bad year, and the directors are to terminate their business with small retail shops in September. Standards operated successfully and took

EVER READY
The offer on behalf of Ever Ready Company (Holdings) to acquire the preference capital of Ever Ready (Ireland) has closed. Acceptance have been received in respect of 15,376 (78.8 per cent) of the shares.

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It is reasonable to expect that the results for 1978 will again be satisfactory. Looking further ahead internal growth and recent acquisitions augur well for subsequent years.

Chairman

Chairman

Chairman

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UEI preparing for selective acquisitions

ADDED to the positive cash flow and borrowing facilities available, a proposed increase in authorised capital at United Engineering Industries by £5.45m to £15.5m will provide ammunition for further development of the business by selective acquisitions, says Mr. C. Bishopp, the chairman.

In his annual statement he points out that the year ending January 31, 1978, when taxable profit leapt 74 per cent to £1.01m and sales reached £5.82m (£4.17m), showed that the company had been able to increase turnover and profits by development of its existing businesses. The directors believe that this process can continue and they are well placed to finance such growth.

The balance sheet reflects the addition of £11.62m retained earnings and a further £37,944 arising from the release of deferred tax reserves, together with the conversion in January of the outstanding £750,000 7 per cent loan stock. These have broadened the base of the company from £1.7m to £3.2m in terms of net tangible assets and available cash resources enabled the directors not only to acquire Link Electronics in April this year for £550,000 cash, but also to repay Link's short and medium term borrowings amounting to £233,394, virtually without using outside finance. Mr. Bishopp comments:

By May 26, 1978, group bank overdrafts had risen to £102,980, compared with the 1977-78 year end total of £11,953, and the previous year-end £20,122. Working capital at January 31 was up £388,300 (£183,481) and future capital expenditure amounted to £113,159 (£23,057) of which £23,500 (£10,810) had been authorised but not contracted.

Meeting, Manchester, on July 7 at noon.

At half-year profits remained static at £287,000 and the directors said they were confident that the year's result would be satisfactory.

After tax of £41,464 (£28,208) yearly earnings are given at £6.22p (20.87p) per 55p share. As forecast net final dividend is 3.5p for a 4.8p (2.322p) total. A one-for-one scrip issue is also proposed.

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INA plans to launch new bank within 18 months

led by an investment banker and it already owns an investment bank. It is anxious to diversify overseas, and already has a useful connection in its holding in Suez.

Mr. Zombanakis suggests, and INA in Philadelphia confirms, that the new banking entity will substantially expand the existing range of services offered by the international arm of Blyth Eastman Dillon. It will include non-retail, commercial banking, money management, advice on mergers and acquisitions as well as the functions of an investment bank.

The first step towards the formation of this new entity will be a development of the overseas operations of Blyth Eastman Dillon International, aided by an infusion of capital. Mr. Zombanakis will be seeking to recruit additional talent for this operation and he will be in talks with Suez in the hope that the French bank will become part of the grand design.

cover for his staff, but for the individual employee who has to arrange his own protection abroad, Norwich Union has just introduced its new "overseas personal policy". This package provides home contents cover in terms similar to that available here, "all risks" cover on clothing and personal effects, disablement insurance for the family against accident anywhere and sickness in certain countries, with medical expenses and personal liability cover.

Labour ers told

himself against these proposals, we might as well just wait for the bureaucrats and their Left-wing political masters to take over.

"The word 'nationalisation' appears nowhere in Labour's policy statement or the supporters' booklet.

"Of course, Labour does not intend to 'nationalise' the construction industry, say the authors of these proposals. They merely intend to take a 'public stake' in the industry.

"It would be a stake all right—right through the heart, and we are writing on the handle would

OVERSEAS MARKETS

INTERNATIONAL BONDS

BY FRANCIS WHILES AND MARY CAMPBELL

French banks fight and win

THE BOND markets lived through another dull and rather depressing week culminating on Friday in the announcement that prime rates in the U.S. and interbank Eurodollar rates had moved in the same direction since January 1978. Prices eased on Friday after having held up well in the thin trading during the week; the increase of the \$30m Raker convertible after strong demand was the only element of cheer.

Matters did live up however as the week wore on: the row which flared up in mid-week between the Trésor and the Direction des Impôts (the tax authorities) in Paris threatened to stop French borrowers from raising funds in the international bond markets.

As it is the pricing of the Société Générale's new Regional issue was delayed and the announcement of issues for the Crédit National and the Banque Internationale pour l'Afrique Occidentale were held up. By late Friday evening however, the argument had been solved in favour of the Trésor and the banks.

In a rather different area, the \$100m floating rate note for Offshore Mining Company of New Zealand suggested that such a form of borrowing for sovereign credits may become more popular in a period of high interest rates.

The problems where the French issues are concerned arise from an attempt by the

Some argue that recent events helped to bring the matter to a head.

After the general elections last March, the Ministère des Finances was split in two: the Direction des Impôts went to the new Ministère du Budget while the Trésor went to the Ministère de l'Economie. The same bankers argue that the new interpretation of existing regulations which the Direction des Impôts was seeking to impose was the result of ignorance, the Direction simply has not the likely consequences of what they were pushing for.

Before the argument was resolved in its favour the Trésor would not be drawn further than to say that it was quite happy with matters as they had operated up to now and saw no reason for change. It did battle with the Direction des Impôts and won.

It would have been most unfortunate for French borrowers if it had not. For the first time since March French entities are back in the markets, and not only the bond ones, en force. The Trésor has just proved its

mettle once again by helping the Caisse Nationale des Télécommunications get a spread of 1 per cent on a large credit, the finest terms in the current cycle.

The launching last Friday of a medium term loan (\$350m for seven years) and a floating rate note for Offshore Mining Company provides a very good opportunity to compare the floating rate note market (FRN) with the syndicated lending one. This is partly because the FRN has no minimum rate attached to it which allows for a more direct comparison, but it is usually the case. This is all the more true as the same borrower seldom taps the two markets simultaneously.

The spread on the medium term loan is 1 per cent over the London interbank offered rate (LIBOR) and is considerably higher than the 1 per cent point above the mid point between the London interbank bid rate and the offered rate which is payable in the case of the FRN. Since the difference between bid and offered rates is a 1/2 per cent, the spread on the FRN will be 1 1/2 per cent.

Inssofar as banks or corporate treasurers invest in these instruments, they tend to do so through their money market departments, so that they are comparing the yields on FRNs with the yield on, say, certificates of deposit (lower than inter bank rate) or on inter bank deposits themselves.

However if during the prospective period of relatively high interest rates—which is likely to cut back the volume of fixed rate offerings—the floating rate market proves receptive to significant numbers of floating rate issues, then banks will presumably have to start reviewing the relative advantages of the FRN against the syndicated loan.

de Telecommunications has just negotiated, the attractions are much less evident.

Other sectors of the market were quiet: in the Deutscher bank sector Japanese convertibles outperformed the market, because of the strong performance of the Tokyo stock exchange.

In the Yen sector, the World Bank will launch a ¥750m and Brazil a ¥350m loan next month while New Zealand and Denmark will launch issues in August and EDF is expected in early September.

CURRENT INTERNATIONAL BOND ISSUES									
Borrowers	Amount m.	Maturity	Av. life years	Coupons %	Price	Lead manager	Other	Yield %	
U.S. DOLLARS									
U.S. Steel	50	1993	—	—	—	Goldman Sachs	—	—	—
U.S. Steel	20	1983	5	—	—	Goldman Sachs	—	—	—
U.S. Steel	20	1983	5	—	—	Dillon Read	—	—	—
U.S. Steel	15	1993	—	6 1/2	—	Yamaichi Int. CSWW	—	—	—
U.S. Steel	15	1993	—	6 1/2	—	Blyth Eastman Dillon	—	—	—
U.S. Steel	15	1993	—	6 1/2	—	Goldman Sachs	—	—	—
U.S. Steel	40	1993	—	5 1/2	100	S. G. Warburg, CSWW	—	—	—
U.S. Steel	50	1993	5	7 1/2	—	Société Générale	—	—	—
U.S. Steel	30	1985	5.5	—	—	Merrill Lynch White Wald	—	—	—
U.S. Steel	100	1983	5	—	—	Capital Markets Group	—	—	—
U.S. Steel	100	1986	7.6	—	—	S. G. Warburg	—	—	—
U.S. Steel	75	1988	8	5 1/2	—	BNP	—	—	—
U.S. Steel	20	1985	n.a.	6 1/2	—	BNP	—	—	—
SWISS FRANS									
U.S. Steel	20	1990	n.a.	5	100	Banque Scandinave	—	—	—
U.S. Steel	20	1993	n.a.	4 1/2	99.5	Credit Suisse	—	—	—
U.S. Steel	80	1993	n.a.	4 1/2	—	Swiss Bank Corp.	—	—	—
YEN									
U.S. Steel	100m	1990	7.96	6.4	99.70	Yamaichi Sec.	—	—	—
SAUDI RYALS									
U.S. Steel	200	1983	5	8 1/2	100	UBAF	—	—	—
UNITS OF ACCOUNT									
U.S. Steel	22	1993	10.5	7	—	Banque de Paris et des Pays-Bas	—	—	—

Indices

NEW YORK—DOW JONES

	June 16	June 15	June 14	June 13	June 12	June 9
Industrial.....	836.87	844.25	854.88	858.98	859.72	858.28
Prime Indus*	87.30	87.86	87.89	87.86	87.60	87.50
Transport.....	222.88	226.46	228.21	229.74	230.18	230.72
Utilities.....	105.18	105.51	106.16	106.02	106.36	106.65
Trading vol. (1937-)	27,590	28,280	27,290	28,760	29,440	32,470

For 30 years Yugoslavia has presented Europe and the world with an intriguing and successful exercise in non-aligned socialism. The popular mood is optimistic enough even to contemplate a future without the legendary Marshal Tito, now in his 87th year.

Although 88, President Tito still shows extraordinary vitality. He recently completed an exhausting series of foreign visits which took him to the capitals of all three super-powers. His visit to China must have been particularly satisfying. After years of vilifying Yugoslavia as arch-revisionist, the new Chinese regime has actually recognised the virtues of non-alignment and independence from the super powers—particularly one of them—and has sent several delegations to

Unsh

By

Chosen

Anthony Robinson, Esq.

faith in n path

st Europe Correspondent

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The answer is certainly "yes" while Tito lives and probably for some time afterward, while the partisan generation, which is also ageing, remains. Then it will be the turn of the next generation which will have to come to terms with a Yugoslavia totally different from that which emerged after the war.

But the strong degree of political continuity and economic progress since the war has done much to consolidate Yugoslavia's "unity in diversity." Having cracked down on a form of nationalism which could have developed into

BASIC STATISTICS	
Area:	98,766 sq. miles
Population:	21.6m
GDP (1975):	YD 503.6bn
Per capita:	YD 22,820
Trade (1976):	
Imports:	YD 134bn
Exports:	YD 88.8bn
Imports from UK:	£128m
Exports to UK:	£33.5m
Trade (1977):	
Imports:	YD 176bn
Exports:	YD 96.1bn
Imports from UK:	£175m
Exports to UK:	£40.5m
Currency = New Dinar:	
£ = YD 34.36	

lics and provinces themselves. This is partly expressed in economic de-centralisation, which revolves around the so-called basic organisations of associated labour and their voluntary associations into larger units, and partly in much greater powers for local communities at a territorial level. The idea is that production decisions are best left to the producers, while local community policies in the fields of health, education, culture and welfare are also best decided after by the consumers and producers of such services locally.

What the system is trying to create is a means of direct participation by people as workers, consumers and just plain people in the basic decisions affecting

IN NEXT PAGE

By Anthony Robinson, East Europe Correspondent

They go a long way to answer the question of what happens after Tito goes. Great care has been taken to ensure that the maximum devolution of power and responsibility has been accompanied by the maintenance of a strong core of (ideological) and political

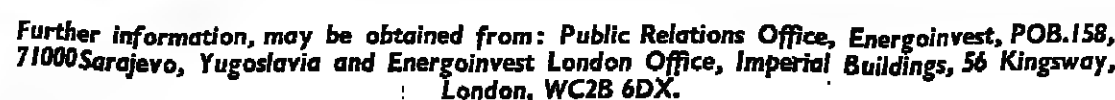
back by excessive centralisation in Belgrade and the siphoning off of foreign exchange and other income to the less-developed republics. (Significantly, these views were expressed both by the then powerful Croatian and Serbian Banks and the universities and—most worrying

new constitution in 1974 and a t
veritable cascade of new laws a
continued at implementing and in
stitutionalising the self-manage
ment principle in the organisa-
tion of labour, planning, lo
anking and credit, foreign d
exchange, prices and incomes
policy and the whole gamut of d

It is at this point that one encounters the basic paradoxes of the system which would carry with it the seeds of disintegration, the loss of national unity and independence.

principal ideologist, has defined as the concept of "self-management pluralism . . . or the pluralism of self-managed communities integrated in the system of delegates" has also led to a similar process of devolution of power within the republic.

ON NEXT PAGE



ZAGREBAČKA BANKA

from January 1st, 1978 the legal successor of the merged Kreditna Banka Zagreb and Jugobanka-Main Branch Zagreb.

	(in thousands)
Total Assets	Din. 57,838.458 (US\$ 3,213,247)
Own Funds (total Capital and Reserves)	Din. 4,138.341 (US\$ 239,907)

Besides 1,400 Members of the Bank, more than 15,000 business and industrial enterprises, trading companies and other organisations are its depositors and are using the services of ZAGREBAČKA BANKA, which carries out all banking operations at home and abroad at its premises in Zagreb:

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Foreign Exchange, International Loans and Guarantees	41000 Zagreb Savska 86 telephone: 510-500 telex: 21-765, 21-895 YU ZABA EX cable: ZAGREBAČKA BANKA
"Gradska Stedionica" (City Savings Bank) Unit specialised in Savings	41000 Zagreb Trg Republike 10 telephone: 32-341 cable: ZAGREBAČKA BANKA

YUGOSLAVIA II

Economic growth may be forced to slow down

AS THE Yugoslav economy moves into the second half of the current five-year plan period it faces the difficult task of meeting ambitious growth and investment targets while at the same time digesting some major constitutional and institutional changes which directly affect the running of the economy.

The problem is not growth itself, as last year's economic performance amply demonstrates. In spite of generally sluggish economic performance in both the Western and centrally planned economies last year, Yugoslavia managed to raise its GNP by 7 per cent and economic activity has continued at a similarly high rate over the first quarter of this year.

As usual, however, this high rate of activity, which significantly improved the productivity of many enterprises, was accompanied both by a rise in price inflation to 14 per cent and a deterioration in the overall balance of payments.

These two factors are still causing concern. Last year's payments deficit totalled \$1.8bn, compared with a small surplus of \$150m in 1976. This in itself is not unacceptable as the 1978/80 five year plan budgets for a total deficit of \$4.7bn over the plan period, a figure which is considered well within acceptable financing limits and in consonance with the heavy investment needs in plant and infrastructure.

In order to keep this deficit on track, however, the 1978 plan calls for a lower deficit of around \$1.25bn, which requires a considerable improvement in the trade balance this year. Last year exports rose by only 8 per cent (FOB), while imports (CIF) rose by 30 per cent. There is some evidence that a substantial part of last year's rise in imports reflects stock-

building by many companies in anticipation of possible import restrictions later this year. Some managers and bankers also believe that the external value of the dinar is a factor inhibiting exports. But officials deny that the dinar is overvalued and point out that it has in fact depreciated by 3 to 4 per cent against the dollar this year.

The rate of growth of both imports and exports appear to have slackened over the first quarter, but the trend is still unsatisfactory. Tourist and other invisibles like transit fees, emigrant remittances and overseas construction receipts however, are holding up well.

Part of the problem is that incomes are rising much faster than planned, while investment is also at a high level. This partly reflects the fact that many big investment projects are in varying stages of completion and are sucking in imports without yet producing any compensating addition to output and exports. But restraining incomes in line with productivity is clearly as difficult under the self-management system as in more conventional systems.

This situation was underlined by federal premier Vseslav Djuranovic who said recently "We behave as if our national income were twice what it actually is. Real personal incomes are growing faster than labour productivity. Last year they increased by 8 per cent—the highest rate for a decade. Investment is also too great."

This cri de coeur from the Premier was accompanied by an illuminating insight into the complex bargaining which is now built into the Yugoslav system. He stressed that the

Federal Executive Council was powerless to take effective corrective action, which could only come after consultation with the Republics and Autonomous Provinces and the approval of the self management interest communities for foreign relations.

But, although the self-management principle enshrined in the 1974 Constitution and the Associated Labour Act gives workers in the basic production units (Basic Organisations of Associated Labour—BOAL) the right and duty to decide on the wage and salary levels within their unit, this right is in practice constrained by a complex series of checks and balances which have been built into the system and which are evolving with it.

One of the constraints in the system is the Federal Institute for prices, which in agreement with the Republics, makes a solemn annual prices agreement to which the basic associations are supposed to adhere. This year the BOALs agreed to try to keep producer price increases to an average of 8 per cent, although some priority sectors are to be allowed to raise prices higher in order to facilitate their self-financing capability or the cash flow from which to repay foreign loans.

Such agreements clearly affect the economic performance of the individual companies at the base of the system, which are required to operate efficiently and profitably. Theoretically any BOAL which operates at a loss for three years can be closed, and persisting in paying higher salaries than warranted by productivity is clearly one way of sinking into a loss-making situation.

This is far from being an automatic process, however, and last year 1,383 BOALs employing 330,000 people worked at a loss totalling 14.7bn dinars. This, however, was a big improvement over 1976 when losses were 29 per cent higher and 50 per cent more firms were making losses.

Talking to managers of some of the largest industrial groups in the highly industrialised and fast-growing areas of Slovenia and Croatia in particular, it is clear that there is a great sense of commitment to the self-management system which, although time consuming, is recognised to have considerable advantages in raising the level of participation and commit-

ment to the enterprise and its performance.

They also make clear that although management is essentially the executive body of the Workers Council (composed of delegates from the various Basic Organisations) it is expected to manage efficiently. The business management board, which is composed entirely of business executives, has to make technical and financial decisions in much the same way as the board of capitalist companies working for their shareholders.

As proof of the viability of the system planners and managers point to the over 170 joint venture agreements between Yugoslav and foreign enterprises through which the \$1.5bn has been jointly invested over the last 10 years, some \$325m of which by foreign partners. Fiat was the pioneer in this field with its original \$10m investment in the Crvena Zastava car plant in Kragujevac, but the most important to date is the recent agreement between Dow Chemical and Lna to invest jointly in a \$750m petrochemical complex on the island of Krk. A major foreign financing operation is now planned to help finance this venture, in which Dow has a 49 per cent stake.

The willingness of foreign firms to engage in joint ventures is likely to be enhanced by new legislation which broadens the potential scope of such investment away from the original field of processing industry and into transport, energy, infrastructure and exploration and development of raw material sources—with provision for repayment of profits in such raw materials if required.

Enhanced

Development of Yugoslavia's substantial non-ferrous and other mineral resources is clearly one large potential area for future foreign investment in joint ventures, while Yugoslavia's strategic position as the principal land route from Western and central Europe through the Balkans to the Middle East also demands massive investment. Zagreb is one of the great transit cities of Europe. A huge new railway marshalling yard has just been completed, but the Zagreb-Belgrade highway is a cavalry

of heavy trucks and tourist traffic. Plans for a road tunnel under the Alps to Austria are well advanced, and construction of a new 1,200 km motorway south to the Bulgarian and Greek borders is underway in five places at a cost of \$257m, of which \$80m is coming from the World Bank. But the \$2.5bn required to complete the project will require substantial foreign financing—possibly in part from the OPEC countries if it is to be completed within the next decade.

Until now the Central Bank has kept a very tight rein on borrowing and Yugoslav foreign debt position, and if anything the new Banking Act, which has, inter alia, reduced the financial autonomy of the banks, has reinforced this central control.

It still has to be verified how the recently introduced law setting up the so-called self-management Communities of Interest for Foreign Economic Relations will work out in practice, but in theory it means that each of the six republics and two autonomous republics are now responsible for keeping their own balance of payments within the federally agreed limits.

The aim of this devolution of authority in the foreign exchange field is to increase the sense of responsibility of the basic organisations who actually earn the foreign exchange and whose capacity to import their required components, raw materials or plant will in future be closely linked to their own export performance. But this does not mean that the BOALs have the right to retain all the foreign exchange they earn. A substantial proportion of foreign exchange has to be sold to the Bank of Yugoslavia, which allocates it to those projects which are earmarked as priorities under the national plan, taking great care that the eventual allocations are agreeable to the various republics in the process.

The main problem at the moment is that unless there is a substantial and totally unexpected increase in exports over the second half of this year,

the balance of payments deficit, and hence the foreign borrowing requirement, is going to be considerably higher than the \$1.25bn budgeted for in this year's annual plan. The Central Bank and other authorities have no doubts that a larger deficit could be financed. The gross foreign debt at the end of 1977 was around \$10bn and the debt service ratio 16.7 per cent. But the net ratio was only 12.7 per cent when reserves, foreign credits and other assets are subtracted from the gross debt.

Japan has just agreed a further \$400m credit line to finance the purchase of Japanese goods, and the country is recognised as a good credit risk.

Frustrated

But the point is that the authorities on all levels are not prepared to exceed their foreign borrowing target substantially and are deeply frustrated by what they see as the failure of the EEC in particular to open up their markets to Yugoslav agricultural and industrial products, and so help Yugoslavia to pay for its large imports of industrial and other products from the Community.

As founding members of the non-aligned movement, Yugoslavia is also strongly critical of what it sees as the lack of political will to press for radical changes in the North-South relationship. Such changes would permit Yugoslavia and other developing nations to sell their sort of intermediate technology products to pay for their own imported Western machines to the less developed countries and reduce competition from the developed countries, which should instead concentrate on high technology sectors, they believe.

Falling this opening up of new markets in the developed and developing nations, Yugoslavia is now preparing to cut back investment and reduce growth from the present 7 per cent in order to cut back imports, although this will have all the usual negative effects on employment and the overall efficiency of the system.

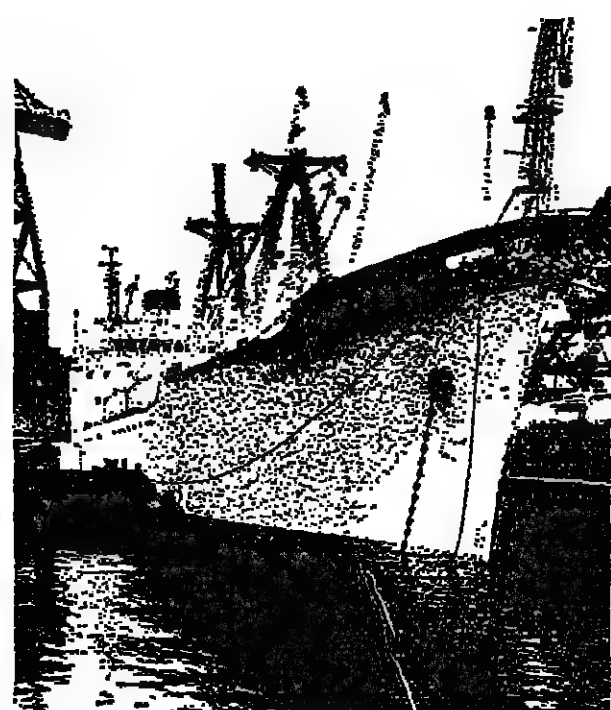
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Faith

CONTINUED FROM PREVIOUS PAGE

their lives. It seeks to ensure that such decisions are co-ordinated through a system of delegates to the various higher institutions and kept within the overall ideological parameters by the capillary presence of the LCY.

The theory is that the Party should be an integral part of society, not something above it issuing directives in the authoritarian manner associated with what Yugoslavs call the "management socialism" operating on the Soviet system throughout Eastern Europe.

The amnesty last November to 218 people convicted of political crimes and a further 356 who were awaiting trial is an indicator of confidence that the political system is strong enough to democratise itself in the attempt to catch up with the social and economic progress which has transformed Yugoslav society into a much more sophisticated, better educated and articulated body than the backward, divided, peasant nation of the past.

Grasped

Yugoslavs have enthusiastically grasped their freedom, including that to travel abroad. Over 19m Yugoslavs crossed the frontiers last year. For many these were just tourist or shopping trips—as witnessed by the smartly dressed crowds—for others educational trips to study foreign languages or techniques. For nearly a million Yugoslavs it means working abroad, learning skills and sending much needed foreign currency back home.

Economically the country is developing rapidly, with major investment projects under way. Growth is marred however by inflation, a worrying balance of payments deficit and slow progress in narrowing the huge income differentials between the industrialised North and the South. In spite of the creation of 830,000 new jobs over the

past four years unemployment is still high and average productivity rather low. Over 30 per cent of the population still lives on the land, although agriculture is being modernised and Yugoslavia is approaching self-sufficiency in basic foods.

A major concern is that Yugoslavia will be pushed into a closer degree of economic integration with Comecon—meaning principally the Soviet Union—if the EEC does not give improved access to EEC markets and other assistance in the new five-year agreement now under negotiation. There are no illusions about the expectation that the Soviet Union will continue to try and increase its influence in whatever way it can, particularly after Tito is no longer around.

This is one of the reasons why Yugoslavia values its relations with the U.S., China, the EEC and its other major trading partners and its role as a leader of the non-aligned movement. Moreover, behind its active foreign policy stand well-equipped armed forces organised for national defence throughout the territory.

But this is all essentially part of Yugoslavia's insurance policy. The general mood is optimistic. Life has got better and, more important, people clearly expect it to get better still. Critics of the self-management system point to the enormous amount of time spent negotiating complex agreements at all levels. But one of the results is a high level of social cohesion.

All this enabled Party Secretary Stane Dolanc to declare recently that "Today Yugoslavia is one of the most stable countries in the world." Keeping it so will require considerable skill. But as the Yugoslavs look round at their neighbours in both East and West, one of them told me, they tend to echo Maurice Chevalier's considered view on life in general: "Not bad—especially when one considers the alternative."

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YUGOSLAVIA III

New UK trade deal needed

THE STORY of Anglo-Yugoslav trade in recent years is one of widening Yugoslav trade deficit which reflects not only the international recession but the seeming inability on both sides to make the best of available opportunities.

The actual problem of Anglo-Yugoslav trade is spelled out in the language of figures which means that in 1977 British exports to Yugoslavia were £176m against £128.4m in 1976, while imports from Yugoslavia were £40.5m (£33.5m). In the first three months of this year British exports were £34.5m (£35.9m in the corresponding period of 1977) and imports £9.3m (£11.4m). This means a Yugoslav trade deficit of £34.5m in 1977 against £49.9m in 1976 and of £25.5m in the first quarter of this year against £34.5m in the first quarter of 1977. So the deficit is still rising.

Understandably, the Yugoslavs are far from happy, like those British business partners who see in Yugoslav trade more than a one-off chance. Some of the impediments to mutual trade are stubborn, particularly the Common Agricultural Policy of the EEC which reduced British imports of Yugoslav meat and meat products to a minimal level.

There are also, the Yugoslavs argue, other hurtful arrows in the quiver of the EEC. They feel that if only they succeed in renegotiating their agreement with the EEC, trade with the Nine, including Britain, will look up. But even if the negotiations yield all they want, the effect on trade with Britain could be less significant than they expect.

It is not just one single factor which keeps Anglo-Yugoslav trade within relatively narrow limits. The April session of the Anglo-Yugoslav Trade Council (AYTC) in Belgrade, an annual event, was devoted to a searching debate on the reasons for the inadequate trade turnover and the quest for a cure.

The two-day session arrived at conclusions and made recommendations which could help. They may also be of practical significance since AYTC, presided over on the British side by Lord Ebbisham, marks somewhere midway between a committee of businessmen and industrialists and a Governmental joint commission. This hybrid status means that AYTC links practically with a measure of authority.

Yugoslavia is a major customer for British plant and equipment and would like to buy more of it, authoritative Yugoslav quarters indicate. But while so far this year Yugoslav financial quarters are not averse to a moderate balance of payments deficit they still want Britain to import more Yugoslav goods to cover their own import costs.

Remedial

At the AYTC Session in Belgrade each side recommended what remedial action the other ought to take, and indeed matched criticism with self-criticism. The British argued, rightly that the Yugoslavs ought to watch the British market more closely. Organised visits to Britain by groups of Yugoslav business and industry representatives, participation in British exhibitions, in short the whole range of promotional activities ought to be subsidised by the appropriate Yugoslav authorities.

The activities—or sometimes the inactivities—of the representations of Yugoslav enterprises in Britain—were critically reviewed. It appears that they are not always the instruments of market intelligence they ought to be. Moreover, Yugoslav exports of manufactured goods might stand to gain by less dissipation of effort and concentration on a few star items.

It is a fact of economic life that a sustained campaign is needed to substitute manufactured goods for the meat and meat products which until 1973 counted for over a third of Yugoslav exports. Obviously Yugoslav enterprises have not found a complete alternative, although in the 1973-77 period annual growth of exports was 6.5 per cent. This is not a bad record by any standard. But not only have the Yugo-

slavs failed to explore to the fullest extent the British market, British business too is often ignorant of available opportunities and as a consequence is down the league table among exporters to Yugoslavia, while West Germany leads and Japan is rapidly moving up.

It is not only inadequate market exploration, though, unlike the Comecon countries Yugoslavia is not a closed book, there is no foreign trade monopoly, negotiations with end-users are direct and not channelled through governmental institutions—it is simply the old story of prices which are not competitive, delivery dates which are disregarded and quality which is not always of the best. It is of course candidly admitted by Yugoslavs that in these respects some of their enterprises can vie with the British.

In Belgrade, at the AYTC Session, the Yugoslavs identified some of the goods they wish to export. They include fibre glass, non-ferrous metals, furniture, cutlery, transformers and textiles. But both sides were aware that it will be extremely difficult to balance the books bilaterally.

Hence co-operation and co-production arrangements with a view to sales on third markets could help to revitalise Anglo-Yugoslav trade. Lately, contracts concerned with the production of chemicals, textiles and metals and with shipbuilding have featured and there is also a considerable rise in technology transfer at enterprise level.

But there is a snag: as a spokesman of a leading British engineering company explained, long-term co-operation—contracts enjoy certain taxation and profit repatriation privileges. Such privileges do not but ought to apply to short-term contracts since in view of the fact that technological progress in gather-

ing long-term contracts involves risks for both sides as they do not make allowance for process or product changes.

However, co-operation is a sector where Anglo-Yugoslav economic relations have shown a moderate degree of success. There are altogether 637 co-operation contracts in existence—many of them minor. The British share in industrial co-operation now in operation is seven.

British interest in joint venture enterprises has been less marked. These enterprises, in which the foreign partner can hold half the equity and contribute his share not only to quote the new Act which has been effective since April 17, 1978, "in foreign currency of special interest for the foreign exchange and payments balance of Yugoslavia" but also in plant, equipment, patent rights and know-how, have been relatively popular with foreign investors.

Since 1967, when the original joint venture Act was passed, some 184 joint ventures enterprises or companies—all of them export-oriented or import-substituting—have been established. The largest of them is the \$700m DINA project, a petrochemical complex set up jointly by the Zagreb-based petroleum corporation SORINA and Dow Chemical. It is said to relate that Britain so far shares only in eight joint ventures.

Yet joint ventures could become a source of earnings preferable to counter-trade deals which British business quarters dislike and to their credit Yugoslav enterprises do not greatly welcome, although in certain instances they have concluded counter-trade contracts if with a marked lack

of enthusiasm. Moreover, the joint venture Act permits foreign participation all along the line, even in the field of banking, and excludes only insurance, commerce and social services. Thus foreign partners can also share in raw materials exploration and exploitation.

What the Yugoslavs would like to see in their dealings with Britain is a mixture of conventional trade and such new approaches as co-operation, co-production and above all joint ventures.

In either respect British experiences are limited. Eight instances are hardly enough to test the viability of joint ventures, but the West Germans, who are everywhere in Yugoslavia, have gone into joint ventures and co-operation with both feet and are doing reasonably well. Nevertheless, if godwill alone made trade prosper, prospects for Britain would be auspicious.

Atas, conventional as well as unconventional economic links are a quick pro quo. As the British market comes to provide more openings for Yugoslav products, so the Yugoslav market will open for British plant and machinery. While there can be no guarantee, since the Yugoslav economy is not centrally controlled and each enterprise deals on its own, Yugoslavs can only spend as much foreign currency on conventional deals as they earn abroad. Hence if Britain wants to sell more, its market must offer more access to imports of goods inhibited by EEC policies.

It could be argued that trade with Yugoslavia is not worth a fight in Brussels, but the Yugoslavs might then shift imports and exports to the U.S., Russia and Japan. The situation is becoming acute and there is little time for procrastination.

Kurt Weisskopf

Largest

Since 1967, when the original joint venture Act was passed, some 184 joint ventures enterprises or companies—all of them export-oriented or import-substituting—have been established. The largest of them is the \$700m DINA project, a petrochemical complex set up jointly by the Zagreb-based petroleum corporation SORINA and Dow Chemical. It is said to relate that Britain so far shares only in eight joint ventures.

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KRKA

Pharmaceutical and Chemical Works
Novo mesto

There are not many factories that can pride themselves on such rapid development and expansion as KRKA. In 1954, a Pharmaceutical Laboratory was established at which only nine people were employed but in 1975 the Pharmaceutical and Chemical Works KRKA employ more than 2,800 people, among them 470 university graduates.

To ensure more and more successful manufacture of finished products, in KRKA's programme much emphasis is placed on intensified production of basic pharmaceutical substances.

Biosynthesis

There are promising feasibility studies in the fermentation plant where antibiotics, vitamins and enzymes are produced. On the European scale, the present capacity of this plant is equal to that of medium-size enterprises, but it will be greatly enlarged by 1980.

Since 1975, KRKA has been the holder of the FDA product licence for the antibiotics oxytetracycline dihydrate, oxytetracycline hydrochloride and bacitracin zinc, feed grade. In addition to these, oxytetracycline, feed grade is produced and the technological process for the synthesis of vitamin B₁₂ feed grade has already been developed.

Continuous operation of this as well as of the other plants is ensured by KRKA's own energy supply equipment.

Environment contamination and river pollution are prevented, or reduced to a minimum, by using a modern and highly efficient waste-water purifying system.

Chemical synthesis

In the plant for flexible chemical synthesis, various important pharmaceutical substances are synthesized using KRKA's own technological processes which were developed at the KRKA Institute of Research and Development. For all these inventions patents were either granted or applied for.

The most important areas of production of pharmaceutical substances are as follows:

tranzilizers, 1, 4-benzodiazepines (diazepam, medazepam); semi-synthetic betalactam antibiotics (ampicillin, fucloxacillin, cefalexin); iodinated contrast media (diatrizoic and acetrizoic acid); others: (centrophoxin, clofibrate, clobutamide, clobutamide, tetraethylthiuramdisulphide, nicamide, etc.)

KRKA Works, one for the treatment of rheumatic diseases and the other for cardio-vascular and diseases of the nervous system, joined the KRKA enterprise. They have grown into well-known recreation and protective, as well as therapeutic and restorative centres.

Export and activity abroad

Since 1966, when the first noticeable results were obtained, the value of exports has been constantly increasing. In 1977, it reached US\$ 22,869,000.

KRKA export their products to West European and developed overseas countries, to the COMECON countries and, more and more, to the developing countries in Africa, Asia and South America. To West European and developed overseas countries, pharmaceutical substances, medicinal herbs and mushrooms are exported, and to the COMECON countries pharmaceutical substances and final drugs. With some of the COMECON countries there is also a successful co-operation in new drug research; knowledge as well as specialists are exchanged.

Institute of Research and Development

At the KRKA Institute of Research and Development, fundamental and applied researches are carried out and innovative processes as well as KRKA's development are studied. The research work has produced 74 inventions, 308 patent applications and 182 patents granted not only in Yugoslavia but also in many European countries, U.S.A., Canada, Japan, India, Australia and elsewhere.

Medicinal herbs

In addition to the modern pharmaceutical manufacture, KRKA appreciate and cultivate the traditional gathering, treating and use of medicinal herbs. These herbs, their extracts and essential oils are exported to numerous countries all over the world.

Cosmetics

As body care contributes to human well-being, KRKA allocated a considerable part of their production capacity to the manufacture of various cosmetics.

Thermae

Two thermal establishments in the neighbourhood of the

KRKA Works, one for the treatment of rheumatic diseases and the other for cardio-vascular and diseases of the nervous system, joined the KRKA enterprise. They have grown into well-known recreation and protective, as well as therapeutic and restorative centres.

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There are only a few developing countries in Africa and Asia in whose markets KRKA's products are not to be found. Besides exporting activity, KRKA entertain technical relations with pharmacologists in numerous developing countries and render them not only professional but also technological assistance. So, in 1974, the joint enterprise Dawa Pharmaceuticals Ltd. was founded in Kenya. The KRKA founder's share amounted to one third of the required capital, the rest was shared by Kenyan investors. Both the construction and the equipment of the factory were entrusted to KRKA and the first modern pharmaceutical factory in East Africa was ready for production in 1977.

With such creative co-operation KRKA assist the developing countries in their endeavours for a better life.

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Export performance must be improved

YUGOSLAVIA FACES several economic problems: inflation, structural imbalances, unemployment and the re-integration of returning guest workers. Yet none is so difficult as the balance of trade and consequent balance of payments deficit, which is the major limiting factor to faster economic growth.

Yet, the Yugoslavs firmly believe that, with more goodwill on the part of their major Western partners, especially the EEC—in addition to their own increased efforts—it could be of more bearable proportions. Feeling that such goodwill is lacking if not in words then certainly in deeds, they are frustrated and bitter. What exactly can be done is another matter. The solution is to change trade patterns, sell and buy more outside the Common Market, but that is easier said than done.

Apart from Italy, where the ratio of exports to imports is comparatively favourable, trade with EEC countries is extremely unbalanced. Invisibles, such as worker remittances and earnings from tourism, in some cases compensate for part of the trade gap, but the Yugoslavs have been pointing out that those sources of foreign exchange are subject to sudden changes, as when Yugoslav workers have to return home.

Alternatives to the EEC trade include the U.S., EFTA and Japan, the socialist countries of Eastern Europe and developing countries.

Trade with the developing countries is increasing and the aim is to increase it to a quarter of the total. Trade with socialist countries has its limit at about the present one third of the total—beyond which the Yugoslavs would be reluctant to go, no matter how bitter they feel about the EEC.

Thus, as far as trade with the West is concerned, the EEC can

only be substituted for by either the U.S. or Japan, both of which are eager to sell more in Yugoslavia, as shown by two recent developments. Earlier this month the president and chairman of the Ex-Im Bank of the U.S., Mr. John L. Moore, Jr., signed in Belgrade two agreements under which in the future the bank will not require Government guarantees for credits extended to Yugoslav firms but will deal primarily with Yugoslav commercial banks. Two months ago his Japanese counterpart was in Belgrade for the signing of a \$400m credit line which nine Japanese trading firms have given Yugoslav industrial and other companies. Other developed countries with which trade could be developed are Canada and Australia.

As far as the EEC is concerned, after a joint declaration signed in Belgrade in December 1976 expressing the political and economic interest of the Community in Yugoslav independence and prosperity, not much happened until February 1978, when negotiations started on a new agreement to replace the current five-year trade agreement which expires at the end of August. Right from the outset the Yugoslavs told the commission that the mandate it has been given was unacceptable. They submitted their proposals for a more comprehensive agreement.

Yugoslavia would like to include in the agreement, in addition to trade, co-operation in various other fields, such as financial, industrial and technical co-operation, transport, tourism, environmental protection and social questions, mainly regarding Yugoslav guest workers. It would also like goods which will be manufactured in the free zone to be set up with Italy under the Osimo agreement to be considered as community products.

Regarding trade, the Yugoslavs would like some tariff and other obstacles removed, a more liberal application of the general system of preferences, the right to participate in public tenders, quotas for imports of some agricultural produce, free of variable duties. They insist that in a crisis no unilateral decisions by the EEC should be taken but rather that solutions

should be found in mutual consultations. The EEC Council of Ministers is scheduled to deliberate again on the new mandate to be given the commission on June 27, and negotiations will resume in mid-July. The feeling in Belgrade is that negotiations should not drag on indefinitely but also that they should not be rushed. If need be, the present agreement could be extended for a few months.

It would be wrong to infer from all this that the Yugoslavs expect others to solve their problems for them. They have been well aware of their shortcomings in foreign trade, and are openly discussing them. Their first conclusion has been that they must organise better internally and abroad. It has been decided to establish joint representative offices abroad which would bring together all representatives of Yugoslav enterprises, banks, etc. This, it is hoped, will result in better co-ordination, elimination of mutual competition and also in better control.

Much more effort will have to be paid to market research and to fairs, exhibitions, promotion tours and other tools familiar to more experienced traders. Fashions and tastes will have to be taken into account. Co-operation with local businessmen will have to be improved. Much more attention has to be paid to co-operation with firms from the developed countries in third markets, especially in the LDCs.

Another field which leaves much to be desired is informing foreigners willing to invest, or sell or buy in Yugoslavia of the regulations in various fields: the more so since new laws have been in effect this year about which not enough is known abroad. Examples are joint ventures, foreign firms' representative offices, counter-trade, banking and credit systems and the foreign trade regime.

Yugoslavs also admit that their products are often not competitive enough, be it because of their price (in that respect some local critics think that the currency is overvalued) or quality and delivery terms.

The awareness of these shortcomings is acute, and recognition that higher exports are the prerequisite of growth and investment is now being impressed on everybody.

Aleksandar Lebl
Belgrade Correspondent

This announcement appears as a matter of record only.



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Udruga Beogradska Banka is a financial association through which the associated labour carries out a part of its financial operations, such as:

- external financial relations (credit relations, foreign exchange transactions, payment transactions, issue and placement of bonds, organisation for collecting foreign exchange savings abroad, etc.);
- pooling of resources for major projects in the country on the basis of self-management agreements made with the organisations of associated labour—members of basic banks.

Udruga Beogradska Banka appears abroad in its own name and on behalf of basic banks, and its members. All basic banks, members of Udruga Beogradska Banka, are under unlimited and subsidiary liability with all their assets, for the obligations of Udruga Beogradska Banka.

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YUGOSLAVIA IV

Farm incomes rising

LIKE MANY other developing countries which tended to overlook agriculture in the initial enthusiasm for rapid industrialisation, Yugoslavia long ago came round to the view that a balanced development of the agricultural sector is vital to progress of the economy as a whole.

Formalisation of this rethinking came with publication of the long-term Green Plan for agriculture in 1973: the current five-year plan aims at self-sufficiency in agriculture by 1980 and the development of exportable surpluses beyond that.

A record harvest in 1976 boosted agricultural output by a healthy 7.3 per cent from the rather depressed 1975 levels when the weather was unfavourable. This performance was followed by a further 3.3 per cent increase last year which, it is hoped, will be matched again this year given reasonable weather.

These figures show a considerable improvement on the average increase in agricultural production over the 1963-73 decade when agricultural output only improved on average by 2.5 per cent annually.

They also show that Yugoslavia is indeed on the path to agricultural self-sufficiency with all that entails both in reducing the burden on the balance of payments and creating the conditions both for a sustained demand for agricultural chemicals and equipment and a rational distribution of population.

For all its rapid economic growth in recent years Yugoslavia still has a chronic unemployment problem which has been exacerbated by the return of workers from West Germany and elsewhere. Modern capital-intensive industry is not able to create employment fast enough to absorb this excess labour. Incentives to modernise agriculture, while improving the attractiveness of rural life

generally, make considerable sense under these circumstances.

Steadily rising farm income is one way of achieving this and a system of guaranteed minimum prices and stockpile arrangements has seen agricultural producer prices rising by an average 14 per cent annually over the last five years. But major investment is also taking place to boost output of fertilisers, tractors and farm equipment of all kinds together with major irrigation and re-forestation schemes.

The most ambitious irrigation and flood control project now under way is the giant Morava basin complex, a 20-year exercise due for completion in 1985 which will bring an end to destructive flooding in Serbia and create 280,000 hectares of highly fertile land on which two harvests annually will be possible. It will also generate 952,000 kW hours of electricity and protect a further 156,000 hectares from flooding and erosion.

This year also sees the completion of the 20-year 13bn dinar Danube-Tisa-Danube hydro system whose dams and canals have created the means to irrigate 500,000 hectares in the Vojvodina, the fertile plain which stretches north of Belgrade to the Hungarian frontier and beyond.

The Vojvodina plain is Yugoslavia's most important farming area in a country with a high proportion of mountains and steep valleys. It accounts for over half the total Yugoslav farming output and last year produced 3.5m tonnes of maize and 2.75m tonnes of wheat. This compares with last year's total Yugoslav crop of 5.6m tonnes of wheat and a record 9.5m tonnes of maize, of which 900,000 tonnes were exported.

Maize production is one of the big success stories of Yugoslav agriculture. Yields averaged out at 43.5 centners per hectare last year, a new record, and

with the planting of improved hybrids and a greater area this year a maize harvest in excess of 10m tonnes is confidently expected.

But the growth of maize output is only part of a comprehensive transformation of the crop pattern under the influence of a powerful drive to increase output of industrial crops like sunflower, soy and sugar beet. Last year's record sugar crop of 5.3m tonnes gave Yugoslavia self-sufficiency in that commodity for the first time. Over 480,000 tonnes of sunflower seed were also produced and a 25 per cent increase in planting has taken place this spring.

Rapidly

At the same time mechanisation is proceeding rapidly, as is the supply of fertilisers from big new fertiliser plants now coming on stream or under construction—like the giant Kutina plant in Croatia, now being expanded through a \$155m Euro-dollar term loan, and five other major complexes.

This year the farm tractor population is officially estimated to be 50,000 units higher than last year, bringing the total to 350,000, or one for every 25 hectares. At the same time Yugoslavia has used its own agricultural modernisation programme to build up a useful export trade. Last year exports of tractors and farm machinery totalled \$60m, with a target of \$100m annually by the end of the decade.

What is perhaps most surprising about Yugoslavia's agricultural performance is that it has taken place within the overall context of a highly fragmented and traditional peasant farming structure. Some 80 per cent of the farms and nearly 70 per cent of the agricultural output comes from private farmers still farming on variations of the medieval strip system. This is immediately apparent when flying over large areas of the

country.

Cheek by jowl, however, are to be found the large modern agricultural combines like the Poljoprivredni Kombinat (PKP) a showcase agro-business combine of 100,000 hectares and 20,000 workers some 50 miles north east of Belgrade. This combine boasts 1,400 tractors, 450 combine harvesters, 50,000 breeding cattle, 20,000 dairy cows and 130,000 fattened pigs.

Organised into over 60 Organisations of Associated Labour and run on impeccable self-management lines, PKP produces agricultural raw materials, processes them into a vast range of packaged foodstuffs, meat and dairy products and preserves in 16 factories and then markets them through its own network of 500 shops and self-service stores, hotels and tourist facilities all over Yugoslavia. It also carries on a significant export trade, coupled with technical assistance from its own scientists and food technologists, for farmers in developing countries.

Significantly PKP also co-operates with some 50,000 small private farmers who supply the combine and receive technical assistance and guaranteed market in exchange. This is highly significant because Yugoslavia, having reassured its peasants that private farms have a sure future, believes that the best way to improve agriculture across the board is to step up mutually advantageous co-operation between the large socialised combines and private farmers on a voluntary basis. Credit and other incentives are also provided for private farmers to develop their own producer co-operatives on a pattern similar to those in the Emilia Romagna region in neighbouring Italy.

In the long run the social sector is expected to increase gradually in size as older farmers retire and new land be-

comes available through reclamation and irrigation schemes. It is set to expand by 250,000 hectares in the course of the current five-year plan.

Productivity is also growing much faster, with average gains of around 8 per cent annually on socialised farms against 3 per cent on private land. The hope is that the evident profitability of modern farming methods will continue to act as a powerful persuasion to modernisation throughout the agricultural system.

Further modernisation of Yugoslav agriculture looks like being one area for potential

co-operation with British agricultural equipment makers and suppliers of know-how. But here again the future of co-operation is strongly linked to the establishment of some kind of equitable arrangement for the export of Yugoslav baby beef and other agricultural products to the EEC. The way in which the Community cut off Yugoslav meat exports deeply offended Yugoslavia and has raised some serious questions about the usefulness of further development if the end result is the production of unsaleable surpluses under present marketing arrangements.

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Growing success in self management

IF, AS is frequently the case, businessmen or others from capitalist countries start discussing the Yugoslav system of worker self-management in terms of worker participation à la Bullock they are likely to be quickly, but politely, corrected.

Worker participation implies participation in a system where somebody else more important holds the real initiative and real power, one is likely to hear. Under the Yugoslav system the enterprise is owned by the workers, managers are appointed by the workers, to whom they are responsible, and the workers themselves through their various self-management institutions decide on investment and production plans and the final distribution of the income produced.

This theory is codified into law at enormous length—the Associated Labour Act alone consists of over 200 pages and 671 regulations—and is variously viewed as a blueprint for Utopia or a recipe for unmanageability.

To find out how it can work out in practice I went to one of Yugoslavia's most successful industrial concerns—the Iskra electrical and electronic engineering Kombinat in Ljubljana which has averaged a 20 per cent growth rate over the last decade, a 1977 turnover of over \$500m and exports of \$80m.

Physically Ljubljana is still very much a Hapsburg city—one of a dozen or so central European cities whose fundamental style and elegance derives from the elegant baroque public buildings and squares planned by the Empress Maria Theresa and Franz Josef II. It is the capital of the mainly catholic Republic of Slovenia, which is relatively poor in raw materials but has a long tradition of industrialisation and trade, mainly with neighbouring Italy and the former Hapsburg hinterland.

The headquarters of Iskra itself is situated in an elegant skyscraper block, flanked, significantly, by the Ljubljana Bank building, another skyscraper designed to withstand shocks of all kind—this after all is a seismic area as the recent earthquake in neighbouring Friuli bears witness.

At the heart of the Iskra Kombinat are the 72 Basic Organisations of Associated Labour (BOAL). The fundamental characteristic of a BOAL throughout Yugoslavia is that it must be a clearly defined cost and profit centre producing measurable goods or services. In practical terms in the industrial sector this usually means a factory producing a product or products. Members of a BOAL have the right to remain

independent or to voluntarily join together with other BOALs for purposes of joint marketing, research and development or other common services.

The Yugoslav system rests on the belief that the production units are the best judges of how to produce efficiently. The final shape of the five-year plan is agreed after an infinitely complex series of discussions on a two way basis involving the BOALs, and the various co-ordinating bodies at a trade union, Republican or Provincial and Federal levels.

The five-year plan worked out by and for each individual BOAL has to be approved by a qualified majority of the workers themselves and becomes in effect their plan, for which they are all collectively responsible.

But the five year plans are broken down into annual plans which are much more detailed but provide a vital element of flexibility to changing market or other conditions.

Technical

This much more technical document does not have to be approved by the Workers Assembly—that is to say all workers—but by the Workers Council, which is a much smaller body consisting of delegates from the Workers Assembly. In practice it seems that one of the keys to the efficient working of the BOAL is the degree of competence, skill and dedication of the Workers Council.

In Iskra's case the 72 BOALs and 47 production units are organised into seven so-called Work Organisations. These correspond roughly to divisions in western terms and are organised on functional lines. Iskra also has five Work Organisations of Common Services, which provide joint services like data processing, marketing and financial services.

The Apex of the pyramid, or third level, is Iskra itself, which is called a Composite Organisation of Associated Labour (COAL) or, more familiarly, a Kombinat. This provides the link between the operating companies, the divisions and joint services.

The Kombinat itself is not a holding company on the Western pattern because the capital of even the largest Kombinat is held individually by the BOALs, who make use of their own so-called "Internal Banks" which operate in effect as the finance division to manage their cash-flow. The BOALs also have a direct relationship with the commercial banks, a relationship which has been reinforced by the latest reform

of the banking structure. The bank reform was designed to reduce the autonomous power of the banks and their former de facto close relationship with the political power structure in the Republics and Provinces, and also to create a direct link between production and finance.

Under the new banking laws the banks themselves no longer have any capital of their own but only their reserves plus the deposits made by the BOALs (and households). Delegates from the BOALs are themselves physically represented as the de facto "shareholders" of the Banks.

In order to satisfy the financing requirements of commerce and industry the banks are free to associate themselves with other banks, and borrow either domestically or abroad, but within limits set down by the National Bank of Yugoslavia in conformity with plan guidelines and the state of the balance of payments.

Because of the in-built tendency of the Yugoslav economy in its present developing state to suck in imports at a high rate, a major effort is now taking place to give much greater responsibility to BOALs by linking the availability of foreign exchange for imports to their own export generating capacity. Each republic and autonomous province also has the responsibility to ensure that its balance of payments position remains within the Federally agreed limits.

It remains to be seen how this works out in practice as the new laws have just been introduced. But they do demonstrate the seriousness of attempts to render the self-management system both more responsible and more efficient. Efficiency however also depends on the level of technical skill and competence of professional management. Much suspicion of the Yugoslav system abroad stems from the image of an economy in the hands of an undoubtedly committed and enthusiastic but managerially and technologically naive shop floor.

Certainly efficient running of self-managed enterprises depends in large part on the level of industrial experience, sophistication and awareness of the workers themselves, and this varies considerably between the established industrial areas in Slovenia, Croatia and parts of Serbia and the former agricultural areas in the first throes of industrialisation. But it also depends on the managerial skills of the professional managers who are appointed, and dismissed, by the Workers Councils.

One of the principal aims of the self-management system, as

it develops, is to raise the level of skill and awareness of the Workers Councils. Already in a big group like Iskra every effort is made to elect professionally competent workers and technical staff both to the Workers Councils themselves and the various executive committees which meet frequently to monitor management performance.

At the same time, however, the business management board, which consists entirely of professional managers, hired by the Workers Council precisely for their competence, has full responsibility for the range of executive decisions in marketing, finance and production.

Both the formal management and production workers are part of a self-management whole whose aim is to make their enterprise as efficient as possible. Because the self-management institutions go beyond the sphere of production and also include people in their capacity as consumers or members of local communities there are several constraints both in the field of pricing policy and income distribution.

By and large, however, enterprises are expected to operate profitably, and theoretically they can be closed down, and workers found other jobs, if they make losses for three consecutive years.

Improvement

Last year 1,363 BOALs employing 330,000 workers made a loss totalling YD 14.7bn. This was an improvement on 1976 when loss-making enterprises were 50 per cent greater and losses 29 per cent higher. But the fact remains that many of them were perennial loss-makers and could not be closed for a variety of reasons. The railways for example run at a loss and so do several large enterprises; often government fixed prices are blamed for this.

Certainly there are weaknesses in the system, but it is part of the nature of things in Yugoslavia that people are prepared to admit them frankly and discuss them with an eye to improvement.

All sides recognise, for example, that the Yugoslav system entails the expenditure of a great deal of time in complex bargaining and explanation at all levels. But it does result in a sense of participation which goes far towards smoothing the implementation of policies once approved. It also produces both an enthusiasm for high investment and a tendency to distribute higher incomes than justified by productivity alone.

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YUGOSLAVIA V

Foreign policy retains its independence

IRONICALLY, THE international pre-requisites for Yugoslavia's determined foreign policy of national independence and non-alignment were created by a typical act of Great Power arrogance. They stem from the time when Winston Churchill, discussing the post-war shape of Europe, tossed over to Stalin a piece of paper on which was jotted "Yugoslavia 50-50?". Stalin nodded agreement. When Tito heard of this he was reportedly livid at being treated as "the short change of international politics."

He subsequently took advantage of this tacit acceptance of a shared sphere of influence to break free from Soviet hegemony without either reneging on the Communist nature of the post-war Yugoslav State or joining the Western Alliance.

Thirty years after the break with Communism Yugoslavia's influence in the world is infinitely greater than its size, and in many of the conflicts

population or resources would themselves warrant. Much of the credit goes to President Tito himself, some survivor of a world of former political giants and stirring if dangerous times.

His own personal prestige, and by reflection that of Yugoslavia, he represents, reached a new height with his recent official visits - first to Moscow and then on via North Korea to Peking and then to Washington with a stop-off in London.

But Yugoslavia's foreign policy goes far beyond the establishment of good relations with all three superpowers, vital though this is to Yugoslavia's equilibrium.

President Tito's experience and prestige as a founder-member of the non-aligned movement also makes Yugoslavia a voice to be listened to in discussions on the North-South dialogue, the Middle East and in many of the conflicts

which have broken out between members of the movement.

Behind the voice lies an active and qualified corps of diplomats, and a highly foreign affairs-orientated news agency, Tanjug. In the latest Government reshuffle the former Foreign Minister, Milos Minic, was replaced by Josip Vrhovec, a 50-year-old ex-journalist and former LCY Presidency member from Croatia.

It was largely a reflection of Yugoslavia's position between East and West that Belgrade was chosen for the follow-up meeting to the Helsinki Conference on European Security. There the Yugoslav hosts tried to steer the conference away from a sterile confrontation on the human rights issue, seen as a propaganda contest between the two super powers, and on to a discussion of some of the other issues dear to Yugoslavia's heart, such as measures to reduce military tensions and greater co-operation in the economic field.

It was a disappointment to Yugoslavia that the Belgrade conference was not a great success, although they share the general feeling that with the decision to hold another follow-up meeting in Madrid at least the principle of continued monitoring has been agreed.

Now Belgrade is preparing for another important international meeting - the Ministerial meeting of the non-aligned countries which meets there in July to discuss the agenda for the forthcoming non-aligned summit due to be held in Havana next year.

It promises to be a potentially stormy affair. The Cuban role in Africa will be high up on the agenda, which will also review the recent UN special session on disarmament, a major initiative of the non-aligned movement, and the slow progress in the development of a new world economic order.

But the situation in Africa is likely to dominate discussions, with Yugoslavia in particular making no bones about its own disquiet concerning the apparent conflict between Cuba's role in Africa and its membership of the non-aligned movement. Yugoslavia's views do not differ markedly from those expressed by President Carter and Chancellor Schmidt recently. Both described Cuba's supposed non-aligned status as "a bad joke" in view of its role as an instrument of Soviet foreign policy.

Opponent
The Yugoslav attitude appears to be against any moves to expel Cuba from the movement, as its own experience makes it an opponent of anathema of any kind. Rather can Yugoslavia be expected to argue for the principle of "Africa for the Africans" and against super power interference of any kind in the affairs of the continent.

This of course is partly a question of general principles and partly the result of Yugoslav preoccupation with the principle of non-interference because of its own obsession with the thought of possible future interference by the

Yugoslav position betrays its

out that Yugoslavia's trade deficit with the Community came to \$2.4bn last year, 60 per cent of its total trade deficit; Yugoslav exports now cover only 39 per cent of its imports from the Community. It argues that a large part of this deficit is due to damaging protectionist moves by the Community.

Critics of the Yugoslav bargaining position, however, while accepting that restrictions on beef, textiles and other goods have affected certain important trade areas, argue that the Yugoslav position betrays its

CONTINUED ON NEXT PAGE

A new status for small business

ALTHOUGH THE new 1974 constitution specifically provided a new legal status for the formation of small private enterprises, progress in setting them up has been patchy so far. The basic thinking behind the setting up of the so-called Contractual Organisations of Associated Labour (COAL) was to mobilise, inter alia, the capital of returning emigrant workers and provide more employment without making demands on the already stretched socialised sector. The new COALs are to have a strictly limited time span, however, before eventually being transformed into the conventional Basic Organisation (BOAL) and becoming an integral part of the self-management socialised sector.

But the COALs do represent a significant advance in several respects on the previous rules permitting small-scale private enterprises, mainly in the service sector. While the traditional private sector employer may employ a few workers only - the number being different in various republics and in various fields - there is no such limit for contractual organisations. In addition, they may be established in fields which are otherwise reserved for the socialised sector. Those wishing to found a contractual organisation first make a mutual contract as to what each of them will

contribute in money, equipment and other resources and who will be the manager. Then they sign a contract with the commune on the territory of which they will have the seat of their organisation, after which they hire workers and start whatever activity they choose.

That person (or persons) has the right to be the executive of the contractual organisation and to be paid for that on the basis of an agreement concluded between all those working in the organisation. He also has the right to receive part of the income generated with the resources he brought into the organisation. These rights, however, are for a limited number of years. Each year he gets back part of his capital, until after a period of time it is all paid back. At that moment his other rights cease, except the right to continue working in the organisation, which then stops being a Contractual Organisation and renames itself Basic Organisation of Associated Labour, as in the socialised sector, a part of which it has now become. The former manager may remain in this function, this time not in his own right but only if he is elected by the workers of the Basic Organisation.

Chosen

The form of Contractual Organisation has been chosen because it serves several purposes. First, no social capital is needed and privately owned money is mobilised, which has been relatively abundant, especially among returning guest workers. Second the growing demand for goods and services in which the socialised sector is either not interested, or is unable to provide quickly enough. In Yugoslavia there has been a growing need for services of all kinds, repair shops, and the like. Third, new jobs can be created comparatively quickly and with lower investment than in the public sector. This is very important in view of the high number of job seekers, in spite of very impressive figures of new jobs created each year. It has been estimated that several hundred thousand people could find employment in the small business sector within a short period of time.

For all those reasons it has been the proclaimed policy of the League of Communists and of the Government to support the small business sector, be it in its classical form of private handicraft, the newly designed Contractual Organisations, or the socialised organisations dealing in services and production on a small scale. In spite of that, however, very little has

been done in the four years since the 10th congress of the LCY and the adoption of the new constitution.

The reasons for this seem to lie with local governments, who distrust any private initiative in the belief that it will inevitably strengthen the capitalist elements in society and endanger socialism. Therefore they heavily tax private business, do not provide for space, etc. Repeated criticism has not changed their opposition. The result is that there are regions, even whole republics, with no Contractual Organisation at all. On the other hand in some republics Contractual Organisations have been increasing in number and prospering. Macedonia, for example has no Contractual Organisations, its premier told foreign correspondents a few months ago that there has been a lack of understanding on the part of local authorities. The first Contractual Organisation in Serbia was founded late last year in a village, Koblenica, in the eastern part of the republic, employing initially 29 workers, 25 of them women. It was founded by two former guest workers. They receive a 30 per cent share of the income and the labour force the rest. Their contract with the respective commune is for five years, after which the organisation will become a BOAL. Belgrade has just one Contractual Organisation founded recently.

As opposed to that, Slovenia has been supporting Contractual Organisations for years now and has more than the rest of Yugoslavia, 30 out of the total of 37. Some have been publicised by the Press, like two organisations founded by a couple, Valerija and Franjo Verdnik in the village of Grize pri Zalcu, which together had a total revenue of 13.5m dinars (£400,000) last year and employed 12 people. The two owners earned some 800,000 dinars (£23,000) after tax, which is approximately 12 times more than the average for a Yugoslav worker.

In view of the widespread suspicion of many local authorities it was a big surprise when among the 16 winners of the First of May awards of the Yugoslav Chamber of Economy from all over the country there was a Contractual Organisation of Associated Labour. It was, of course, from Slovenia: Tajfun of Planina pri Sevnici. This has been interpreted as signalling the interest which the Yugoslav community has in those organisations. Whether the message will be understood by those for whom it has been meant remains to be seen.

Aleksandar Lebl



What is ISKRA?

ISKRA is the largest Electronic Company in Yugoslavia with a 25 per cent total share of the Yugoslav electronic market. By the end of 1977 ISKRA employed 27,000 people: 1,800 with high diploma qualifications, 3,750 school-leavers with "O" level exams, 6,350 qualified technicians; 3,900 people were granted scholarship grants.

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ISKRA has received over 230 awards for the industrial and graphic design of its products.

ISKRA also co-operates with scientists and Research Institutions on a large scale to improve its products.

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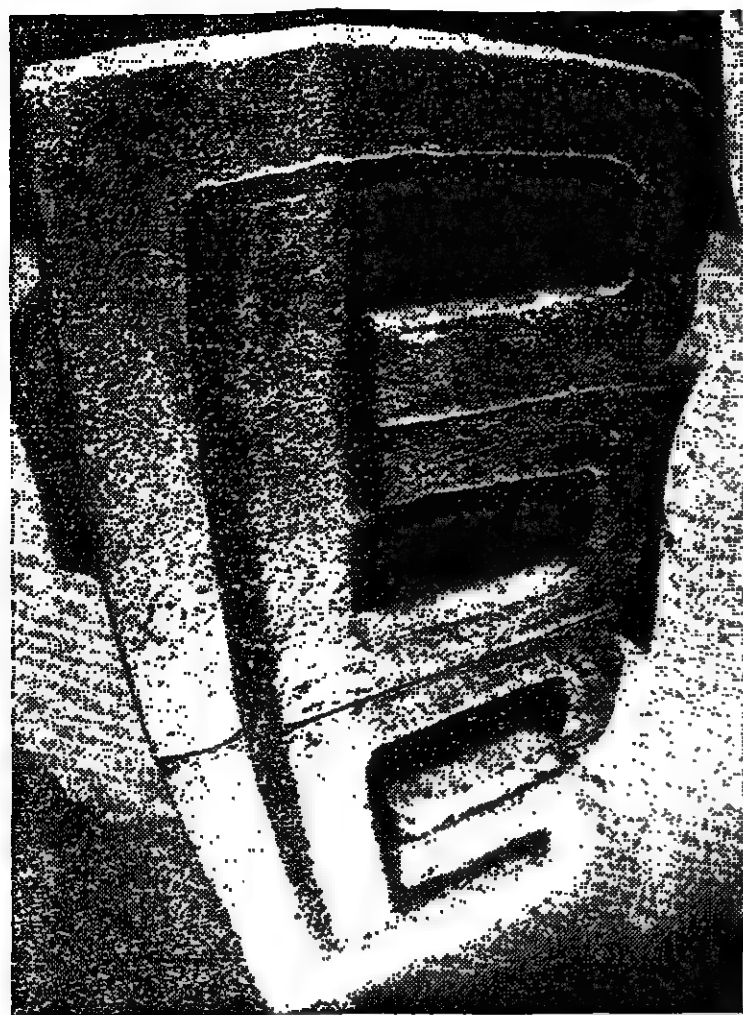
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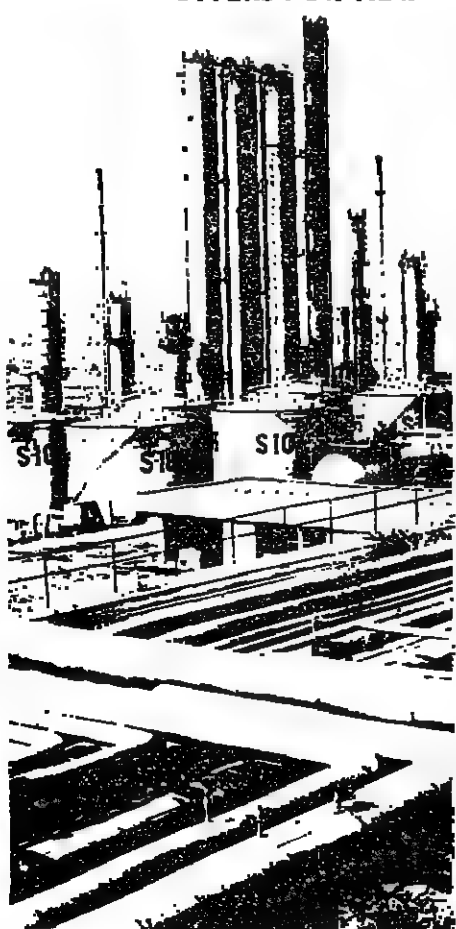
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YUGOSLAVIA VI

Tourism breaks records

AFTER SEVERAL years of stagnation there seems to be again a tourist boom in Yugoslavia. Unless something unexpected happens 1978 could be a record year both in the number of foreign visitors and in foreign exchange earnings. The tourist season has started earlier than usual, and for the peak season most hotels and other facilities are fully booked. Britain is one of the countries from which a spectacular increase in the number of visitors has been expected, after a 33 per cent fall last year.

Over the first quarter of this year 19 per cent more foreign visitors came to Yugoslavia. The first quarter, however, accounts for only 8 per cent of the total annual turnover. April figures were not so good but May and June seem to be very promising.

Up to 15 per cent more visitors and a 50 per cent rise in foreign exchange earnings are now expected by some forecasters. Last year 5.6m foreign tourists came to Yugoslavia, producing revenue of \$845m.

The tourist organisations admit that the boom has not been entirely due to their own efforts. Outside factors, such as the economic recovery in some countries, including the UK, have helped, together with insecurity in some tourist countries and greater price increases in countries directly competing with Yugoslavia.

The Yugoslav tourist industry has tried to keep prices as low as possible, with only minor increases for some categories of hotels, and hotels have

become more flexible in selling their services. Thus one need not now order full board but only room and breakfast, or just one meal. There is also a wider choice of excursions, sports facilities and entertainment, although here much more has to be done. One sore point is the price of drinks, especially imported ones like whisky or cognac. Here the tourist organisations are fighting with the Government to bring prices into line with those in neighbouring countries.

This year the number of British tourists to Yugoslavia will rise to some 5 per cent of the British market. In the past couple of years it has fallen to about 3 per cent. Earlier this year a 13-member delegation from the British Tour Operators study group discussed in Belgrade ways of increasing the number of British tourists. They said that demand had been building up and that the availability of seats in chartered planes has been the main limiting factor. They also mentioned the pricing structure of Yugoslav hotels, the wide differential between high and low season prices and the high prices for additional services as other obstacles. They insisted that the Yugoslav tourist industry should guarantee the quality of services offered, especially in view of the strict consumer protection legislation in the UK.

It has been agreed that future contracts between British tour operators and Yugoslav hotels will be made in sterling instead of U.S. dollars, and that prices will go up only



in line with British inflation. One of the reasons behind the expansion of tourism has been the improved highway network, since a substantial number of visitors, especially from continental Europe, come by car. Some 40,000 km have been constructed in the post-war period but the network is still far from adequate. Yugoslavia is now a motorised

country itself with some 2m jams on the trunk highway from passenger cars and close to 300,000 buses and commercial vehicles. Yugoslavia is also a transit country for millions of Greeks and Turks working in a modern four-lane motorway, Western Europe and for but more resources are needed, tourists going to and from Yugoslavia. It is hoped that those in Bulgaria, Turkey or Greece, as well as for trucks in transit to the Middle East.

All this contributes to traffic well as the European Investment and the World Bank. The air fleet has also been expanded and modernised. Yugoslav cities and coastal resorts have good connections with all parts of the world. JAT, the national airline, will sell some 5m seats this year, its planes now fly to Australia and North America and it has bought several DC-10s.

Railways suffer from road competition but they still are very important in passenger traffic. They are also being modernised, with new rolling stock and new services—cars can be carried on some passenger trains. The Belgrade-Bar railway, finished three years ago, has also become one of the major tourist attractions. Finally, another improvement in communications should also be mentioned. It is now possible to dial directly to most field where co-operation with European countries from many companies and financial institutions. Yugoslav cities and resorts in the developed countries are a matter of seconds. This is and in all exporting countries important for business people would be desirable and advantageous but is also reassuring for the tourist.

Industrial growth

INDUSTRY'S ROLE as most the dynamic factor in the Yugoslav economy was confirmed again last year with a 9.6 per cent rate of growth. This has slowed down to around 7.6 per cent over the first four months of this year. But this growth has not been without its difficulties.

Growth of industry has been accompanied by significant structural changes. The electrical, oil extraction and processing, metal processing, chemical and energy industries have been growing at above average rates, but some older industries have been experiencing difficulties.

The growth of processing industries has outstripped the ability of the local raw material, energy and equipment industries to supply it and to find export markets for its products. This means that development of the basis of a well-balanced economy has been too slow, and this is one of the roots of the balance of payments problem. Nearly two-thirds of Yugoslav imports have been raw and semi-manufactured materials and one quarter equipment, while consumer goods have played only a minor role.

Thus the main task in the industrial sector has been to reduce dependence on imports and increase both exports and import substitution. This is being attempted by investing

heavily in energy and basic raw materials and giving those industries higher tariff protection while requiring foreign suppliers of equipment to use Yugoslav firms as subcontractors or enter into buy-back arrangements. Some local producers now manufacture high quality equipment, and the share of imports in investment should decline from the current 20 per cent figure.

Production

Under-utilisation of capacity in processing industries contributes towards their high production costs and, combined with general inflation, is threatening Yugoslav exports competitiveness. There has also been the problem of duplicated investment. The Yugoslav system rules out state interference in investment decision-making, but no substitute has been found in practice to avoid duplication while still allowing healthy competition.

At the moment there are some 29,000 projects under construction in Yugoslavia, the bulk of them in industry. Most are comparatively small projects, for the modernisation and expansion of existing facilities. But 186 are major projects worth over YD 500m (£14.5m) each.

Here the problem has been that the investment front has been too wide, that the construction and gestation periods have been too long and that the technology used has sometimes been already obsolete. It has been hard to find finance for all the projects.

Another problem for Yugoslav industry is the heavy burden of various taxes and quasi-taxes. Industry has been the main financier of social services, which in the words of Premier Djuranovic are more appropriate to a society with per capita national income of \$4,000 rather than Yugoslavia's \$1,800. The so-called free exchange of labour whereby producers of goods sit together with the suppliers of various services (education, health protection, social security, etc.) and decide how much money the latter will get for what they perform has not eased the burden but has too often increased it.

Enumerating some of Yugoslavia's problems is not saying that its future is bleak. On the contrary it seems that the infant industry period is approaching its end. In three decades industry has created strong foundations: machine tools here are "younger" than in many other highly industrialised countries, skilled

workers have accumulated expertise in many fields and a large number of experts and specialists have been educated. Yugoslavia still needs foreign technology and know-how, but it now has some to offer as well. It is a good partner both for joint ventures in Yugoslavia and in third countries.

This is particularly true of the construction industry which has been very active. Last year, for example, it built \$1.25bn worth of projects abroad and has capacity for even more. Its weakness is the lack of finance to credit more projects, and this is another to dial directly to most field where co-operation with European countries from many companies and financial institutions. Yugoslav cities and resorts in the developed countries are a matter of seconds. This is and in all exporting countries important for business people would be desirable and advantageous but is also reassuring for the tourist.

Foreign policy

CONTINUED FROM PREVIOUS PAGE

old habits of thinking in terms of centrally planned bilateral trading. Part of the problem is that Yugoslavia, like so many other developing countries, first does not produce goods which are needed on developed markets and secondly lacks the marketing skills and aggressiveness to sell what goods and services it does have to offer.

This criticism is partly accepted by the Yugoslavs, but in arguing for a much wider negotiating mandate in the forthcoming EEC-Yugoslav negotiations, they tend to widen the argument. Assuming their role as spokesmen for the developing world, diplomats and trade experts argue that what is at stake are much larger issues of access to markets for developing countries in general. In Yugoslavia's case, they also argue that an ungenerous and narrow-minded economic approach to Yugoslavia's problems could force the country either to reduce its imports from the EEC, or step up its trade with the "Comecon" countries—or both.

It is likely to increase the proportion of its trade with Comecon for both political and economic reasons. First, it does not want to be in a position where pressure for political or other concessions could be reinforced by economic arguments such as a reduction of oil or other strategic products. Secondly, it believes that the future of the self-management system must lie in increasing the general efficiency and the technical level of Yugoslav enterprises to a Western level.

For this it requires access to Western technology, Western

markets and Western marketing skills. This will never be achieved if an increasing proportion of Yugoslav trade is done with the centrally planned economies with their comfortable long-term purchasing arrangements and lack of stimulus for improvement.

Significantly, Yugoslav officials believe that this point is much more sympathetically understood by American than by the Community, while other trading partners like Japan are also scouring Yugoslavia in search of products to buy in exchange for their increased exports.

Security

Looking around the diplomatic horizon as seen from Belgrade, however, Yugoslavia's principal aim of preserving its security, independence and non-alignment appears to be assured.

The Treaty of Osimo, which finally resolved the frontier between Italy and Yugoslavia, means that Yugoslavia's principal border with the West is now one of the most relaxed anywhere in the world. Slovenia unhappily with the treatment of its minorities in Carinthia and Burgenland remains an issue in Austro-Yugoslav relations. But those with its direct Comecon neighbours are generally good, except in the case of Bulgaria, where the Macedonian question bubbles beneath the surface.

For the average Yugoslav all this is translated in freedom to travel all over the world without a visa in most cases, if he has the money to do so. No visas are required for foreigners to enter Yugoslavia

either, except in special cases. Visas are required to and from the Soviet Union, for example, because the Russians insist on putting Yugoslavia in the category of a Western country for these purposes.

It all seems very relaxed. Once again, however, behind this genuine desire for maximum freedom and the minimum of bureaucratic intervention the Yugoslav authorities take the security question very seriously. The armed forces are reportedly well-equipped and a decentralised system of "global defence" means that millions of Yugoslavs can be mobilised within hours.

At the same time the secret police keep close tabs on the extremist nationalist groups and suspected Stalinists, both in Yugoslavia and abroad.

One of the leading Stalinists, Miletia Perovic, was abducted outside Yugoslavia, according to his defence lawyer, and then arrested and brought to trial in Yugoslavia on charges of plotting against the State. For this he recently received a 20-year jail sentence. The Yugoslav authorities also responded to the recent West German request for the extradition of suspected West German terrorists from Yugoslavia with a quid pro quo demand for the extradition of Croatian extremists from West Germany.

It is quite clear that the Yugoslavs have taken President Lincoln's dictum that the "price of freedom is eternal vigilance" very closely to heart. This allows Yugoslavia to relax from a position of strength and that is clearly how they intend to keep it.

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Net interest paid.....	70.54	70.57	70.63	70.78	70.78	67.7
Interest received.....	72.52	72.55	72.46	72.56	72.56	71.0
Interest net.....	72.52	72.55	72.46	72.56	72.56	67.7
Interest paid.....	470.6	466.3	471.9	474.6	472.2	466.9
Interest received.....	157.9	157.0	158.2	156.9	158.2	149.4
Interest net.....	5.68	5.53	5.60	5.88	5.61	5.6
Interest paid.....	16.38	16.43	16.32	16.36	16.35	15.5
Interest received.....	8.216	8.214	8.200	8.200	8.200	8.2
Interest net.....	6.164	6.163	6.163	6.163	6.163	6.1
Interest paid.....	71.71	72.52	70.68	68.70	69.92	44.0
Interest received.....	16.129	15.239	15.745	14.466	15.297	10.6
Interest net.....	10.381	10.381	10.381	10.381	10.381	10.3

* Based on 52 per cent corporation tax. + Nil = 0.00.
Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/36. G
lines 12.9.36. SE Activity July-Dec. 1942.

HIGHS AND LOWS				S.E. ACTIVITY	
1978		Since Compilation		June 16	July 15
High	Low	High	Low		
100	100	100	100		

prt. socs...	78.58 (5.1)	68.79 (5.6)	127.4 (5.126)	49.18 (5.17b)	--Daily Gilt-Edged...	152.5	145.
used int...	81.27 (9.1)	70.75 (6.8)	154.4 (22.11.47)	50.54 (5.17c)	Industries...	141.8	167.
					Speculative...	37.2	44.
					Totals.....	95.5	110.

nl Ord....	497.3 (5/1)	433.4 (2/3)	549.2 (14/9/77)	48.4 (20/6/80)	Daily Average	177.9	179.
					Gilt-Edged...	157.8	161.
					Industrial...	80.9	52.
old Kings...	158.6 (2/3)	130.3 (1/3)	442.3 (22.5/75)	43.5 (28/10/71)	Speculative...	109.6	111.
					Totals.....		

FT—ACTUARIES INDICES							
	June 16	June 15	June 14	June 13	June 12	June 9	A Year ago

Industrial Group.....	310.99	209.99	211.44	212.02	210.42	208.75	176.75
to Shareholder.....	233.73	233.00	234.58	235.02	233.37	231.83	201.75
to Yield pct.....	5.44	5.45	5.41	5.40	5.44	5.47	5.40
to Dividend.....	8.04	8.02	8.07	8.09	8.04	7.99	8.00

DE KRELO (VOL).....	215.94	215.45	216.86	217.01	215.39	213.57	184.
H Share.....							

— *Journal of the American Medical Association*, 1967, 201: 1031-1032.

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

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International	25.3	-0.2	2.18	August June 15	862	504.6	..	4.74
Do Accum	52.4	-0.5	2.16	August, Units	100.0	102.4	..	4.74
High Yield	62.3	0.3	2.27	Coleman June 16	126.0	132.7	+1.2	5.78
Do Accum	66.0	0.3	2.27	August, Units	152.0	160.1	+1.4	5.78

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Unit Managers Ltd	01-6288131	009322200	Waring Street, Belfast,	0282355231
Insbury Circus EC2M 7DD				
Cap. Inc.	183.2	285.2	-0.3	3.30
Acc. Inc.	99.8	105.2	-0.4	3.30

U.S. Fed. Un.	362.2	172.1	1.80	252 High Malborn, WCVI 728	01-405-841	King Trust Account & Mgmt. Inc.	
U.S. & Gen.	367.2	156.6	-2.4			King William St. ECR 9AR	01-623-4951
Japan & Gen.	289.9	345.2	-3.1	Pearl Growth Fd.	22.9	24.7	+0.1
Papua & Gen.	282.1	340.7	-2.0	Accum. Units	27.2	29.3	+0.1
Papua Ex. Fd.	282.1	340.7	-2.0	Pearl Inc.	31.7	34.3	+0.2
Intl. Fund.	232.8	331.7	+1.1	Pearl Unit Est.	35.2	37.9	+0.1
Yor. Fed. Fd.	53.4	56.8		(Accum. Units)	45.4	49.1	+0.2
						Unif. Growth Fund	
						Prior. Inv. Fund.	152.0
						Wilder Grd. Fnd.	29.3
						De. Account	34.0
							35.8
							4.36
							4.36
							4.36
							4.36

W. A. Trust (A)(g)		Pelican Units Admin. Ltd. (GWK)		Welles Crown Fund		
100 High Rd, Brentwood	(0277) 227300	81 Fowlsan St, Manchester	061-268 5865	King William St, Ex48 8AB		01-623 4951
A1923	34.50 (+0.1) 4.81	Pelican Units183.2	49.45.08	Income Units29.5	31.1	4.33
				Accum Units94.2	36.0	4.33

100

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Equity Ltd. (N.Y.)	222	+0.91	—
E.T. Managers (Jersey) Ltd.			
Box 194, Royal Tel. Har.	744		
United States Tel. Int. Adv. Co.			
14 Rue Aldrimper, Luxembourg			
U.S. Tel. Inv. Fund	50520	85	-0.10 092

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NOTES

Prices do not include \$ premium, except where indicated \$, and are in pence unless otherwise indicated. Yields % shown in last column allow for all buying expenses. a Offered prices include all expenses b Today's prices c Yield based on offer price d Estimated g Today's

Offered price includes ad valorem tax of 1.5% on the sale of the stock. The net of tax on realized capital gains unless indicated by a * = Guernsey gross. # Suspended. † Yield before Jersey tax. ‡ Ex-subdivision.

1. Tax-free trading on commodity futures.
2. The commodity futures market for the smaller investor.

CLIVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-583 1101.
Index Guide as at 5th June 1978 (Base 100 at 14.1.77)

Clive Fixed Interest Capital	126.53
Clive Fixed Interest Income	112.91

CORAL INDEX: Close 465-473

INSURANCE BASE RATES
† Property Growth 9 1/4%

† Vanbrugh Guaranteed 9 00
* Address shown under Insurance and Property Bond Table.

